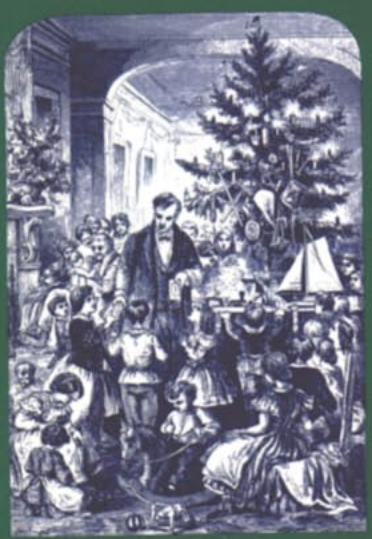
THE FREEMAN

IDEAS ON LIBERTY



My Family Life as a Socialist

Hurricane Hugo: Price Controls Hinder Recovery

Will More Dollars Save the World?

"I'm Here to Help You"

DECEMBER 1989

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Christmas

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THE FREEMAN
IDEAS ON LIBERTY

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Vice-President: Robert G. Anderson
Senior Editors: Beth A. Hoffman, Brian Summers
Contributing Editors: Bettina Bien Greaves, Edmund A. Opitz, Paul L. Poirot
Copy Editor: Deane M. Brasfield

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The Freeman considers unsolicited editorial submissions, but they must be accompanied by a stamped, self-addressed envelope. Our author's guide is available on request.

FAX: (914) 591-8910

Letter from China

Editors' Note:
The following letter was received from a student at The People's University of China in Beijing. In light of current conditions in China, we are withholding the student's name.

August 3, 1989

Dear Sir:

As a postgraduate student specializing in history of economic thought, I have been devoting my mind to the causes and development of various schools of thought for several years; especially concentrating my attention on development of thought of the Austrian school, from the great founder, Carl Menger (1840–1921), to the prominent thinker, Friedrich A. Hayek (1899–). The extensive and profound thought of the Austrian school is a great contribution to the world of human thought in general.

It is for me the greatest pleasure that I recently have learned that your foundation is enthusiastic in promoting the study and propagation of liberalism economics [free market economics], especially the economic thought of the Austrian school. So I am writing to you to ask your advice. I should be greatly obliged if you could send me some recent books or materials on the study of liberalism economics or the thought of the Austrian school and give me further information about your foundation.

Thank you very much. I look forward to hearing from you soon.

Sincerely yours,

We responded by letter and sent a packet of materials.

Our Friends in Argentina

For more than 30 years, FEE has worked closely with leading classical liberals in Argentina. FEE staff members and Trustees have spoken before Argentine audiences, and Argentine students travel to Irvington to attend FEE seminars. Thus, we are especially pleased to present Richard Cooper's article, "Argentina at the

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Crossroads" (p. 488), which describes the work of many of our Argentine colleagues.

Felix Morley Prize Winners

Six young *Freeman* authors have been honored in the 1989 Felix Morley Memorial Writing Competition sponsored by the Institute for Humane Studies. Congratulations to David Bernstein, Christopher L. Culp, Matthew Hoffman, David Hood, John Hood, and Greg Kaza.

The Freedom Philosophy

Every person has an inherent right to life and liberty, and to the self-enrichment of his life commensurate with his aspirations, dedication, and abilities.

Every person has the right to create, acquire, hold, use, and dispose of his property, limited only by the prohibition against infringing the rights of others.

People have the right to form governments whose only responsibility and authority is to protect the rights of individuals against violence, threats, and fraud.

Governments have no right to violate the inherent rights of individuals through majority vote, legislative power, or other means.

Individuals have the right to produce and trade goods and services throughout the world, unencumbered by government intervention, subject only to the prohibition against violating the rights of others.

—G. F. MAUGHMER
Escondido, California

OH MY GOODNESS! WE'VE GOT'TA DO SOMETHING!
FIRST, WE NEED TO ORGANIZE A POLITICAL ACTION GROUP TO GET RID OF THE CURRENT TIGHTWADS WHO GUARD THE SOCIAL PROGRAM PURSE STRINGS!
NEXT, WE SHOULD PASS ANOTHER TAX BILL... ...CUT DEFENSE SPENDING...
...BALANCE THE BUDGET... ...ORGANIZE A WORLD RELIEF FUND...
ASAY - COLORADO SPRINGS SUN -

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THE FREEMAN
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My Family Life as a Socialist

by Thomas J. Bray

The Christmas season always reminds me that I am something of a socialist.

No, I am not a fan of Karl, Vladimir, Mao, and Mikhail. Socialism, and particularly its virulent communist form, is crackpot stuff. When it comes to family, however, most of us exhibit distinctly socialist tendencies.

Think about it when you're divvying up the presents under the tree on Christmas morning. The kids, who usually have contributed least to family income, usually wind up getting the most packages. Mom and Dad usually come out about equal with each other, even if one has contributed more to family income than the other. Relatives and in-laws all get their fair share.

In other words: From each according to his ability, to each according to his need—just as Karl Marx advocated. Marx proposed a system in which national income would be distributed according to need rather than status. He believed that by eliminating the gap between "rich" and "poor," communism would remove the sources of class conflict that supposedly lead to oppression and war.

So if communism or socialism is OK at the family level, why not at the community level, the state level or the national level?

The problem is motivation. In a system where all share equally, irrespective of their input, nobody has an incentive to do much work. That's why the Soviet Union, 70 years after the revolution, is such a basket case. The only way Moscow has been able to get any of its subjects to do any work at all is through liberal doses of fear. If you don't work, you get five to ten in the Gulag.

But that's not a very effective way of getting people to do good work. The family contains a far more powerful motivational tool: love. Not that abstraction known as love of mankind, in whose name crimes against humanity are frequently committed. I speak of real love, which is possible only among individuals and attaches most powerfully to families. Love between parents, love of parents for children, love of children for their parents.

Families are a complex, self-reinforcing web of relationships: conjugal relations, parent-child bonding, moral example, shared experiences, and so on. It's within the family that love has the best chance of thriving. It doesn't always turn out that way, unfortunately, but family is still the best incubator of love known to man.

Oh sure, when our kids were little we sometimes invoked the fearsome ritual known as a spanking. Force has a role in family, too, at least when the kids don't seem to be getting the message about busting up the furniture, marking on the walls and sassing the teacher.

But a spanking was intended not so much to hurt physically as drive home a message: You disappointed us. The symbolic, temporary withdrawal of love was what gave the message its power—and made discipline, when properly applied, a loving act in its own right.

This love and discipline is one reason that mothers and fathers can provide large amounts of "welfare" to their children without making the children dependent. When the government pro-

Mr. Bray is the Editorial Page Editor of the Detroit News. *This article originally appeared in the December 18, 1988, issue of the* Detroit News *and is reprinted here with permission.*

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vides welfare, the outcome is frequently the opposite—as our large and growing "underclass" attests.

Within the family, parents possess the authority, built on love, to *compel* their children to become independent—which parents know is the only way their children can find true happiness and fulfillment. And children, to retain the love and respect of their parents, are usually just as eager to fly the nest and prove themselves.

The family is also a much more efficient mechanism than the state in figuring out what each little "welfare recipient" requires to make him or her independent. As any parent knows, raising children is, shall we say, a challenging task. Even when we work at it more or less full time, we still often botch the job.

What chance, then, does a bureaucrat behind some far-off government desk have to structure people's lives in ways that will help them become independent? He knows little if anything about the welfare cases he is handling, and receives little if any feedback from the individuals involved.

Christmas is the time that Christians celebrate the Christ child, the ultimate family story. Christianity has often been misunderstood as a fable of communal sharing, a sort of mandate for socialism. But Christmas is most directly a story of the transforming and redeeming power of love, which is why it is natural for families—the basic units of love—to gather together at this time of the year.

Love can't be measured by the social scientists, which is one reason the family has received such short shrift in 20th-century social policy, with disastrous consequences. But love is there—under the family Christmas tree. And that's why I don't worry about those socialist tendencies that well up in me from time to time. Family is the proper place for them. □

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Hurricane Hugo: Price Controls Hinder Recovery

by Russell Shannon

Editors' Note: The Foundation for Economic Education sent this Freeman *op-ed to the nation's press shortly after Hurricane Hugo struck Charleston, South Carolina, in September.*

In Charleston, South Carolina, many people struggling to recover from the havoc wrought by Hurricane Hugo discovered to their dismay something apparently even more evil: price gougers.

In the face of shortages of food, fuel, and desperately needed tools such as chain saws, many store owners of questionable scruples jacked up the prices of these needed provisions, some reportedly as much as 300 or 400 percent.

Responding quickly to the crisis, political authorities proclaimed that persons found guilty of such heinous crimes would be dealt with swiftly and harshly. The tedious delay so common to political actions was notably absent in this crucial situation.

To paraphrase a line from a play by Congreve, however, while these politicians "married in haste, they may repent at leisure." For once again, as happens so many times, the advantages of the free market process they stifled have been sadly ignored.

First of all, repressing price increases will obviously not eliminate the main problem at hand, which is that there is simply not enough of these needed items to go around. So many people will just have to do without until more supplies can be brought in.

Yet while letting prices go up does have the unfortunate effect of putting poorer people at a special disadvantage, these higher prices might cause some people to use their ingenuity and seek out suitable substitutes: some can resort to bicycles, others might have neighbors willing to lend a chain saw, others still could be more careful about using the food supplies they already have. Then others in greater need could buy the goods.

Admittedly, these measures may offer only meager help in such an extraordinary crisis, but they are not apt to be totally negligible.

Of far greater impact is the effect of prices on supply. Given that prices did soar upward, one suspects that not all the greedy vendors are in Charleston and nearby areas. Knowing that they might reap large rewards, people with entrepreneurial spirits in Augusta, Greenville, and Raleigh might well stock up their pickups and truck on down the interstate highways, thereby helping not only themselves but also the sad citizens of Charleston. And thus the shortages would shrink.

In short, it's all pure Adam Smith, who wrote back in 1776: "It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest." The simple wonder of the price system is that it enlists the efforts of self-interested people in the services of humanity.

Nor is this the end of the favorable supply re-

Professor Shannon teaches in the Economics Department, Clemson University.

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WIDE WORLD PHOTOS

Destruction in Charleston in the wake of Hugo.

sponses that have been thwarted by the price controls. Knowing that the storm was on its way, many store owners may have brought in extra provisions, at extra expense, anticipating that they could make enough extra money to compensate them for their troubles.

Yet what will happen on future occasions, when Hurricane Jonathan or Hurricane Samantha comes roaring across the waters? Remembering the thankless response to their efforts to prepare for Hurricane Hugo, these store owners may simply greet the news with a yawn.

There is a saying to the effect that it isn't nice to mess with Mother Nature. The results of messing with market forces are apt to be equally dire. Surely the people devastated by the storm deserve our concern and our charity. But imposing price controls, rather than helping those people out, seems more likely to be adding to their misery.

We have not yet learned how to harness the vicious forces of nature. But if we will only allow the power of the free market to work, it can rapidly harness the forces of self-interest to alleviate the suffering that nature has caused. Because they failed to understand these fundamental facts of elementary economics, the political leaders who are imposing price controls as a humanitarian gesture may actually be serving as Enemies of the People!

Is all this idle speculation? Definitely not! We've had experience with price controls ranging back in history to the ancient Code of Hammurabi right up to those established during the Nixon Administration of the 1970s. No doubt many people still recall the long lines and frustrations at our service stations which were the result of price controls on gasoline.

Economic theory and historical experience converge, then, to suggest that patience rather than political responses would be the best policy to deal with pricing problems in Charleston. □

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Women and the Market: Are They Made for Each Other?

by Jean L. Baker

We live in an exciting time for women. More than ever before, they are achieving their goals, from fulfillment in the home to the apex in business, the sciences, and the professions, and many successfully combine family and careers.

It is beginning to be understood why qualified women who are so inclined need to have careers instead of being confined exclusively to their traditional roles. Women whose creative impulses impel them to follow professional or business careers should have a chance to seek a place in the sun outside the home, and society needs them there.

Three general problem areas must be addressed if women who want that chance are to have it. These concern discrimination, the need for satisfactory maternity and child care arrangements, and our dwindling economic freedoms.

Discrimination

Discrimination is not necessarily always bad. To discriminate is to select from among many criteria, to make wise choices based on fine distinctions. It is an art that women themselves can profitably cultivate. Making choices is what freedom is all about.

However, arbitrary discrimination based on prejudice hurts, psychologically and as a barrier to progress. It yields two victims: the one who is discriminated against and the one who discriminates. In the long run, it is bad business, whether that is immediately obvious or not.

The denial of legal rights, along with the force of tradition, once made virtual slaves of women. They couldn't own property, couldn't enter the professions, couldn't vote, and sometimes weren't even accountable for their offenses against others, which were, instead, referred to their "owners." Categorical discrimination was institutionalized by the power of law, and reflected the prejudice, if not arrogance, of the lawmakers. Through the ages, this prejudice resulted in human tragedies, injuring the self-image and mental health of those affected, and depriving the human race of almost half the available, but untapped, human creativity.

It is still believed by many diehards that women are not equipped physically, mentally, or temperamentally to be anything other than helpmates to men, whether as wives or in occupations that, worthwhile as they may be, are not always consistent with either their abilities or their ambitions.

This is not meant to disparage those women and men who voluntarily choose to be housewives and househusbands, are happy in that role, and are well suited to it. It is unfortunate that some of the rhetoric coming out of the women's movement has made many homebody types feel

Ms. Baker writes regularly for national and local trade, travel, and business publications based in the Chicago area.

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they are undervalued. It can't be emphasized too strongly that homemaking and child nurturing rank high in societal importance. But, they are not appropriate jobs for everyone.

There's no denying that some women are unable to do some jobs that are thought of as "men's jobs." Some men can't either. Humans, regardless of sex, are as varied in their capacities and their ambitions as the design patterns of snow crystals. There have always been women who dig ditches and men who knit; women who are heads of state and men who rock the cradle. Each of us has to find his or her niche, discovering and taking into account our individual abilities and limitations.

Women who defy convention and follow careers traditionally reserved for men often must either give up marriage and children altogether, or they must contend with a host of problems related to what are considered their sole responsibilities as wives and mothers. Unless they receive the help of devoted husbands, friends, or relatives, and the cooperation of their employers, they carry the burden of two full-time jobs.

Many of today's wonder women are valiantly coping with this situation, but it takes a heavy toll. Women who work at outside jobs when they'd rather be at home, but feel their help is needed for the family to survive, are usually especially hard hit by these problems.

Economic Issues and Women

One of the avenues of advancement for victims of discrimination has been the opportunity for them to form their own businesses and institutions when they were barred from the existing ones. Negro- and Jewish-owned and operated colleges, hospitals, and businesses come to mind, such as Tuskegee Institute in Alabama, Provident Hospital in Chicago, Brandeis University in Massachusetts, and Johnson Enterprises in Chicago, to name a few. Ironically, or perhaps it would be more accurate to say "predictably," many of these have failed even though they've received government help, while others have been enormously successful far beyond the dreams of their founders, without ever asking for or receiving state aid. In recent years, women too have begun to take this route. The Women's Bank in Denver, Colorado, is an example of a women-founded and operated institution, in contrast to the women's colleges of the last century which were primarily founded and operated by men.

Opportunities still exist for entrepreneurs, and women are no longer barred from the marketplace. However, the marketplace is less accessible and less free than it once was because of government's expanded role in the economy, and women, as well as men, are the victims. The hindrances are well known to freedom champions: oppressively high taxes, excessive regulation, and restrictive licensing, among others. Economic freedom is surely womankind's greatest need.

Old and New Approaches

Through necessity, women have been brilliantly resourceful in the face of barriers, and their solutions have been as individual as themselves.

"Individual" is a key word, for it is as individuals that women have gained their greatest successes. History is replete with stories of women who have distinguished themselves in what were for their times unconventional endeavors. The facts of history prove what women can do, individually and in groups.

Banding and working together, and aided by men for whom the denial of woman's genius and her humanity were anathema, women have advanced themselves by removing the most flagrant violations of their human rights. In the process, they have changed minds because while some women expend huge amounts of time and energy proclaiming their equality, others spend their time proving it. They ignore discrimination or they circumvent it, following the example of generations of ethnic group members and others who have succeeded, and continue to succeed, in spite of discrimination.

Acknowledging the premise that the innate abilities of men and women are equal, what about those women who are effectively shut out of, or denied advancement in, occupations in which they could make important contributions? Those with brains and talent do not necessarily also have the stamina, courage, and aggressiveness to forge ahead in the face of discrimination. These are the people who usually turn to political solutions. But, let's consider a few of the reasons why legislation against discrimination creates more problems than it solves.

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The very sound of the phrase "Affirmative Action" falls on the ear as a not-so-veiled threat. It's the sound of a stern school teacher lecturing a recalcitrant student. (It happens that the phrase was coined by ex-teacher Lyndon Johnson.) Affirmative Action is also the angry stamp of impatient feet, and a brandished fist that smacks too much of revenge.

Affirmative Action stigmatizes women because it gives the sanction of law to the myths about women which have been so damaging to them. It denies that women are capable of competing on an equal basis and, therefore, they must have a "handicap," an artificial advantage to make up for what they lack. Even those women who are indisputably highly qualified must, nevertheless, wear not one scarlet letter, like Hester, but two AAs upon their breasts proclaiming the inferiority that Affirmative Action (AA) implies.

Robbing Peter to Pay Paula

Affirmative Action focuses on results rather than on the equal right to compete. It demands that unqualified people be hired if, as in the area of our concern, they happen to be women, while highly qualified candidates for jobs are rejected. In other words, it amounts to reverse discrimination. Men have every reason to feel bitter about laws that favor women, and women should understand that bitterness very well.

Barry R. Gross, who discusses reverse discrimination from a philosophical point of view, succinctly states the essence of the case against reverse discrimination as it applies to blacks. It is, he says, "an attempt to correct one sort of injustice by producing another."[1] He rightly points out that those who are to benefit from such a policy are not the original victims, and those who will suffer from it are not the original perpetrators of the crime. In seeming contradiction, however, Gross views reverse discrimination as an abuse of an otherwise well-intentioned policy. Well-intentioned it undoubtedly is, but surely any policy that mandates a double standard is an abuse in itself.

Finally, and most important, Affirmative Action opposes our national commitment to freedom. Women's place in the United States has seldom been consistent with the principles on which our country was founded, but that's no excuse to continue the hypocrisy. To rectify past wrongs by turning to the quick fix of discriminatory legislation is to flirt with totalitarianism. Ultimately, that means an exploitation that is all-encompassing and unalterable for everyone. As Milton and Rose Friedman have so aptly put it: "A society that puts equality—in the sense of equality of outcome—ahead of freedom will end up with neither equality nor freedom. The use of force to achieve equality will destroy freedom, and the force, introduced for good purposes, will end up in the hands of people who use it to promote their own interests."[2]

Who Needs It?

Women don't need Affirmative Action, or set-asides, or any of the laws that demand special privileges for them. They're not in their present straits because they've been denied special privileges, but because others have had special privileges over them. Victory gained at the expense of others is no victory at all. Recent gains for women have come about more from the propagation of ideas and a reasoned call for justice than from discriminatory legislation. And yet, at the first signs of progress in human affairs, a clamor arises for laws to speed the process.

In the case of women, statistics are trotted out that show there are only so many women Nobel Prize winners compared to men, or only so many women symphony conductors, lawyers, bricklayers, truck drivers, or whatever, compared to the number of men in these positions, and this becomes a justification for "action." They miss the point. The wonder of it is that there are any women at all who fit into these categories in a world that has placed every conceivable obstacle before them. It is a wonder and a cause for optimism. Passing laws which favor women has not caused, and cannot cause fully-formed female geniuses to erupt spontaneously into being like Hydra's heads.

How ironic, and even tragic, that women have released themselves from bondage to their fathers, brothers, husbands, and sons only to find themselves in bondage to the state. And in the latter, they find common ground with men, for the enemy that stands in the way of both sexes is Congress, and Congress' counterparts on the local scene.

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Too many members of Congress are spiritual descendents of those who once gave husbands the power to control women's lives and possessions. Today, we have thousands of state and Federal programs and regulatory agencies, and hundreds of thousands of government workers whose primary responsibility is to tell other Americans, men and women alike, what Congress and/or state and local governments have said they may or may not do. As a result, we have become polarized into self-seeking factions that, like jealous children, clamor for the attention and favor of an all-powerful parent, pushing their brothers and sisters out of the way as they grab at the apron strings of the state.

How much better to unite in a fight for freedom instead of fighting each other. Wise women, like wise men, perceive that to the extent that we have become a collectivist society with inefficient and wasteful central planning, we are less free. A look at just a few of the ways in which collectivism adversely affects us, as human beings and as men and women, should convince us that we must not wait until we hit rock bottom before we dig out the root cause of our discontent.

The State vs. the Free Market

One woman's need for child care is another woman's opportunity. That's a simple truth, until government enters the picture. What could be more efficient and mutually advantageous than for the woman who elects to stay home with her offspring also to take care of the working woman's child for a fee? It's a proven system that is entered into voluntarily by both parties. Everyone is satisfied, or the deal's off. Although there are no statistics available, it is believed that very large numbers of small-scale versions of this system exist. Others who need day care depend on relatives, and some couples work split schedules so that one or the other is always home to care for the children.

Licensed day care centers are another story. Restrictions vary across the country, but their grand design seems to be to put day care entrepreneurs out of business. Typically, permits are costly and complicated; one's house and yard must be a certain size according to the number of children; health and safety rules are unreasonable, exceeding what exists in most homes; specific routines must be followed; and much more. Regulations multiply, more people are needed to enforce them, day care operators give up, and in many cases children are then left home alone in spite of the regulators' declared concern for child welfare. The larger day care centers also find it difficult to hang on under these conditions, and their fees rise accordingly. When this happens, it is then proclaimed that there is a shortage of day care, and we end up with government filling the void. We all know what that means.

In the meantime, the unlicensed homes go underground, perhaps accepting fewer children, which deprives those who need them. There is no need to go into all the ramifications of this familiar series of events common to many of our endeavors, except to answer the frequently expressed fear that unlicensed homes are unsafe. There is no more reason to fear unlicensed homes than licensed ones. Experience has shown that sacrosanct governmental agencies cannot be relied upon to verify the safety of a day care home. Only a caring, responsible parent can do that to his or her own satisfaction, unless we are to become like children ourselves, unable to investigate and make judgments.

Resourceful women who want to start businesses in their homes—computer technicians, seamstresses, caterers, hairdressers, and others—face the same problems as day care operators. If the government finds out about that one-chair beauty shop in your basement, you're doomed.

Robert L. Woodson, president of the National Center for Neighborhood Enterprise, concerned about the situation as it affects black Americans, says, "Home occupation ordinances are playing an increasingly significant role in keeping blacks poor."[3] Woodson also addresses the subject of high licensing costs which in some areas keep blacks out of certain occupations. He cites the $70,000 price of a taxicab medallion in New York City, one example out of many that affect anyone who can't afford the price of admission to the trade or vocation of his or her choice.

Humble beginnings have had a way of burgeoning into empires, as Mrs. Fields of Mrs. Fields' Cookies can tell you. But, larger capitalists, men and women who've built their enterprises from the ground up, assuming all the risks and responsibilities, hard work, and long hours that

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are involved, discover sooner or later that they're not operating profit-making enterprises for themselves, their employees, and stockholders so much as they have become an arm of the government, and are operating social agencies to promote the general welfare. They must serve as the government's accountants and tax collectors, not only contributing monetarily to their employees' social security, but also taking care of the paperwork at their own expense. They must contend with OSHA, EPA, DOE, FTC, ICC, and on and on endlessly in a veritable minefield.

Jerry Pournelle, writing in *Infoworld* about the effects of protectionism and regulation on the computer industry, says that FCC regulators ". . . have created a byzantine obstacle course of paperwork and delays that start-up companies must negotiate before they can do business. The result is that if Steve Wozniak and Steve Jobs wanted to start Apple Computer today, they wouldn't be able to do it." Referring to the costs of the required testing and certification, he says, "They wouldn't have the capital to pay the tribute demanded by the FCC."[4] This should give uneasy pause to ambitious women everywhere.

Women and the Free Market

Economic freedom is the crux of the matter. Assure economic freedom for women, and with brains, hard work, determination, and imagination women will catch up. But, not overnight. Their victories will be the building blocks of reform, leading to a renovation in many hearts and minds that will gradually overcome the prejudices of centuries.

Women will become tough enough to face discrimination with the dignity and courage of free people who know their own worth. They will face the fact that some people will never give up their prejudices, but they will know that the power of discrimination to injure is lessened in a climate of freedom. And, they will understand that we can't all be leaders and successful entrepreneurs no matter how smart we are. These are facts of life for men as well.

Working in a market that is free, career women will more easily find safe, dependable, affordable child care; the equal pay for equal work situation will resolve itself; and imbalances according to race, sex, and national origin will adjust automatically. Women will become captains of industry and leaders in the sciences, taking their places side by side with men, and we will no longer travel in this world like a jetliner with half its engines blown out.

Equality Begins at Home

As long as men and women freely unite in marriage or any other association, women will increasingly insist upon equality in their private lives. They will respect themselves, and they will demand respect from others. The extent of peace and harmony that is achieved in any union is determined by the qualities of character each person, regardless of gender, brings to it, and those who achieve mutually satisfying relationships serve as an example for others to emulate.

In freedom, ideas change and conditions change. Freedom releases human creative energy. It fosters diversity and cooperation. It gives individuals the best possible chance of realizing their ambitions, and it results in greater levels of prosperity for the general population. It does all this for people, not just for men or just for women, or just for those of a particular race or ethnic background.

Making choices and assuming responsibility for our lives, while often difficult, are the privileges of a free people. The outcomes of our choices, good or bad, enable us to grow and mature. We become stronger and wiser because of them.

Women have everything to gain from focusing their efforts on reforms that emphasize freedom, rather than on legislation that restricts others. Shall they waste their energies and their resources calling upon Congress to rectify every real or imagined wrong to themselves when their precious liberty is at stake? Why not go for the grand prize instead?

At the same time, we must not presume that achieving a truly free society will bring about utopia. Utopia is unattainable because it cannot exist in this imperfect world. Tradeoffs come with freedom: some succeed and others fail; social progress is slow; disappointments are inevitable; personal sacrifices are called for at times; corruption is possible; and some exploitation can and will exist. However, these scourges of the human condition can more successfully be combatted in

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a free society. It is not so easy, however, to break the chains of oppressive governments, in which these conditions exist in abundance.

It is better to reaffirm and give new meaning to the traditional values of self-reliance and individualism now, asserting our willingness to accept responsibility for our destinies and resist government's invasion into our private and public lives, than to wait until we no longer have the right even to voice our concerns. □

1. Barry R. Gross, *Discrimination In Reverse: Is Turnabout Fair Play?* (New York: New York University Press, 1978), p. 93.
2. Milton and Rose Friedman, *Free to Choose* (New York: Harcourt Brace Jovanovich, 1980), p. 148.
3. Robert L. Woodson, "Building a New Base for Black Prosperity," *The Atlanta Constitution*, July 31, 1988.
4. Jerry Pournelle, "Be Prepared for Government to Block Predicted Megatrends," *Infoworld*, April 24, 1989, p. 50.

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
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1989-90
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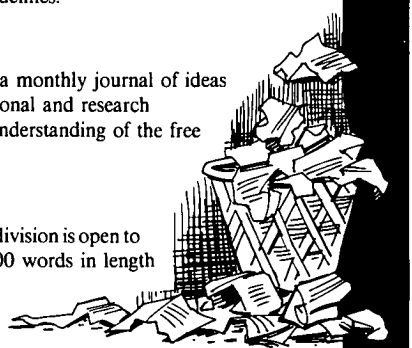

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Will More Dollars Save the World?

by William H. Peterson

"Stingy" is the word critics hurl at President Bush's initial foreign aid offer of $100 million to Poland and $25 million to Hungary. Some critics go further and invoke the idea of a new Marshall Plan—this time including the support of Japan and the West generally—for Eastern Europe and, perhaps, another for the Third World as well. The idea brings to mind a variation on an old question: Will hard-currency transfers save the world?

The old question: "Will Dollars Save the World?" That was the title of a 1947 Foundation for Economic Education study, later condensed in *Reader's Digest*, by *Newsweek* economic columnist Henry Hazlitt. Hazlitt questioned the premises of foreign aid in responding to a speech on June 5, 1947, at Harvard University by Secretary of State George Marshall. Marshall had called for vast, coordinated dollar transfers to stagnating war-torn Europe (which was already receiving substantial U.S. war relief). Declared Secretary Marshall:

"The truth of the matter is that Europe's requirements, for the next three or four years, of foreign food and other essential products—principally from America—are so much greater than her present ability to pay that she must have substantial additional help, or face economic, social and political deterioration of a very grave character."

Hazlitt wondered about Marshall's "ability to pay" perspective on Europe. He took note of the Keynesian pattern of postwar European protectionism, inflation, rationing, exchange rate controls, huge public spending, deficit financing, heavy taxation, and wage and price controls. He wondered if dollar aid would hence but temporize the thick jungle of interventionism and not get at the root causes of postwar European stagnation.

Hazlitt contended, long before the advent of the supply-siders, that purchasing power grows out of production, that production is frustrated by government controls, that it thrives on free markets and stable currencies, that the great producing nations are perforce the great consuming nations, that, in essence, *supply creates demand.*

This basic economic truth, the perception of 19th-century French economist Jean-Baptiste Say, had been challenged, at first rather successfully, by John Maynard Keynes. In his *The General Theory of Employment, Interest and Money* (1936), Keynes promoted his own idea of demand management, mainly through government spending, to achieve "full employment." The 1940s (and, indeed, the 1950s and 1960s) were the heyday of Keynesianism, it should be noted, and Marshall's speech and the ensuing era of foreign aid had this going for it.

In any event, after the enactment of the Marshall Plan, the Hazlitt contention was soon put to the test. In 1948, on a June Sunday, without the knowledge or approval of the Allied military occupation authorities (who were of course away from their offices), West German Economics Minister Ludwig Erhard unilaterally and bravely issued a decree wiping out rationing and wage-price controls and introducing a new hard currency, the Deutsche-mark. The decree was effective

Dr. Peterson, an adjunct scholar at the Heritage Foundation, is the Lundy Professor of Business Philosophy at Campbell University, Buies Creek, North Carolina.

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immediately. Said Erhard to the stunned German people: "Now your only ration coupon is the mark."

The American, British, and French authorities, who had appointed Erhard to his post, were aghast. Some charged that he had exceeded his defined powers, that he should be removed. But the deed was done. Said U.S. Commanding General Lucius Clay: "Herr Erhard, my advisers tell me you're making a terrible mistake." "Don't listen to them, General," Erhard replied, "my advisers tell me the same thing."

The advisers were wrong. The German people rolled up their sleeves as never before, and the decontrol action brought about what has since been called "the German Economic Miracle." The moribund, ravaged West German economy snapped back to life, a phoenix soon becoming, ironically, the most prosperous in Europe.

Erhard, who had earned a doctorate in economics from the University of Frankfurt in 1924, who had witnessed the catastrophe of the German super-inflation of the early 1920s, and who followed Adenauer as West Germany's chancellor in 1963, conceded that Marshall Plan dollars helped the German recovery but held that the greater factor by far was the introduction of sound money and the deregulation of the economy.

As he wrote in his *Prosperity Through Competition* (1958), a book describing West Germany's rather radical system of *Soziale Marktwirtschaft* (Responsible Free Market Economy): "What has taken place in Germany . . . is anything but a miracle. It is the result of the honest efforts of a whole people who, in keeping with the principles of liberty, were given the opportunity of using personal initiative and human energy."

With the further successful examples of Japan and the "four tigers" of Singapore, Hong Kong, Taiwan, and South Korea, are not other economic miracles in Eastern Europe and the Third World awaiting non-dependency on foreign aid and a return to freedom and free enterprise?

In this light, does foreign aid really aid? Can it be that U.S. bilateral economic and military support (see accompanying table), along with U.S. multilateral support of international agencies like the World Bank and the International Monetary Fund, act as a net drag on a goodly number of recipient countries—some of which lack even a basic system of private property rights let alone a capital market?

Such support often does a disservice both to the donor and to recipient countries as the interventionist status quo is preserved and precious time and financial resources are wasted. National examples of that waste on all five continents are legion, as Peter Bauer has long demonstrated.

Even politicians occasionally spot the waste. As Secretary of State James Baker observed at a press conference in Warsaw last June: "In the 1970s, we and our allies and Polish people made a mistake. We shoveled a lot of money into this country with no requirement for economic reform."

So notwithstanding more than four decades since its first enunciation, the Hazlitt question is still relevant: *Will dollars save the world?*

An answer may lie in a further quotation from the Erhard book: "If the German example has any value beyond the frontiers of this country, it can only be that of proving to the world at large the blessings of both personal and economic freedom." □

Countries Getting 10 Biggest Shares of U.S. Bilateral Economic and Military Aid
(estimates in millions of dollars in fiscal 1989)

1.	Israel	$3,000
2.	Egypt	$2,400
3.	Pakistan	$627
4.	Turkey	$624
5.	El Salvador	$389
6.	Greece	$351
7.	Philippines	$270
8.	Honduras	$209
9.	Portugal	$163
10.	Guatemala	$146

Source: Congressional Research Service, House Foreign Affairs Committee

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Religion in China

by Geoffrey Kain

While playing with our son Julian at a small park in our "home" city of Xiamen one January day, my wife Lisa and I met an American couple in their late 30s and their child who had come to the balmy south from their home in Beijing. Larry was a professional photographer and a painter, and his wife Marilyn had been a teacher of English as a Second Language on a California campus. They had a 9-year-old son, Max, and no plans to return to California or to move anywhere else, for that matter.

Max was being educated at home, his mother acting as teacher. Max looked unhappy. His father was painting, hoping to sell some of his work in Hong Kong soon, and his mother was teaching English at a Beijing college, receiving grant money from her California school. They claimed to have sold their California home and nearly all of their belongings. Larry had quit his lucrative job and here they were—an American family in China. China had its own problems, they admitted, but at least in China you didn't have to worry about having your child abducted from a shopping mall. This remark caused Lisa and me to look again at the apparently lonely 9-year-old in the California Angels baseball cap.

As we shared with them our motivations for living a third year in China and offered some reflections on various places we had traveled, we came to discuss some distinctions between life in the south and life in the north. One of the aspects of our lush Fujian Province that had struck the California couple as being strikingly different from life in dry, dusty Beijing and some other northern cities was the obvious prominence of Buddhism in the south. They had visited several temples in the Fujian cities of Xiamen, Quanzhou, and Fuzhou, and they were startled to see the number of people who came to the temples and worshipped openly. They were not sure whether to ascribe this to a traditionally stronger Buddhism in the south, a less stringent political control in the south, or some combination of the two. Whatever the causes, the temples of the north are typically almost devoid of worshippers, and there are far fewer Chinese who visit the northern temples as tourists or apparent tourists. They simply stay away.

Without question, the temples of the north generally suffered more devastating damage during the most violent years of the Cultural Revolution (1966-76) than did the temples in the south, and many of the northern temples remain gutted, even if their façades have been renovated in the past several years. Nevertheless, it would be a serious mistake to assume that a great many of the southern temples somehow escaped the ravages of the late 1960s. They did not.

Temple renovation in China is widespread and just one manifestation of the building and reparation boom that has turned much of the nation into a vast construction site. I recall the extensive repairs underway on the Lichee Garden Temple in Fuzhou, next to Fuzhou University, when we arrived there to teach in 1984. The temple was in many ways typical. A large monastery, it housed more than 100 monks and had a large library of valuable texts. It had stood on this ground for more than 1,000 years.

During the Cultural Revolution, this temple was battered by Red Guards, swept out, and then converted into a transistor radio factory. On its grounds was constructed a scrap iron salvage

Professor Kain teaches English at Embry-Riddle Aeronautical University, Daytona Beach, Florida.

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LICHEE GARDEN TEMPLE/GEOFFREY KAIN

yard, distinguished by its nondescript gray brick chimney rising above the red temple walls and churning thick black smoke over the swarms of bicyclists moving slowly along Industrial Road. The monks from this temple, and from several other smaller temples in and around the city, fled to the enormous monastery atop Drum Mountain several miles outside of the city. They remained there for 10 years before returning (at least some of them) to their old home, now a decrepit shell.

Lichee Garden Temple

Since 1979 the government and many Overseas Chinese have appropriated an enormous amount of money, materials, and skilled labor for the refurbishing of temples like this one. Skilled stonecutters (some as young as 14 or 15) and carpenters repair ruined statuary, elaborate doors and beams, and whatever else is in need of work.

Repairs were in full swing when we entered the Lichee Garden Temple. New statues were being molded in clay over large wood and straw frames, some of them as tall as 20 feet. New roof beams and decorative corner posts were being cut and planed and carved, and the smell of freshly sawed pine permeated the grounds. Walls were being whitewashed and ceiling beams painted brilliant red, green, yellow, and blue in intricately detailed patterns. The temple had received a large bronze incense burner from a wealthy Overseas Chinese from Burma, while another wealthier Overseas Chinese Buddhist from Thailand had presented a large white jade reclining Buddha. White jade is most precious. This priceless Buddha had become the pride of the temple, and a new pavilion was being constructed just to house it.

Shortly after the white jade reclining Buddha had arrived, Lisa and Julian and I strolled over to the temple to have a look at it. The pavilion was still under construction and we had to yell to the laborers on the roof so that they wouldn't shower us with debris, evidence of which lay all about the base of the building. The pavilion itself was made entirely of concrete, though the roof was made to look as if it were covered with slate tiles, and the columns painted red so they might pass for traditional red-painted wooden pillars. Here and there, concrete was formed to look like bamboo. The jade Buddha was held in an upstairs room and was still in its shipping crate. The cover and front panel were pried off so that the curious might have an early peek. The jade was startlingly beautiful, but the Buddha wore a very loud yellow synthetic cape and had bright red lips and fingernails.

The temple was not only under repair, but was expanding, and the monks who once had to flee to safety now had enough influence to insist that the scrap iron facility be torn down because it stood on ground under control of the temple. The monks also managed to have another building demolished so that they could build a gate on the other side of their circular pond, facing south as it should to absorb the best possible energies.

As work progressed, the temple attracted an increasing number of visitors. Eventually, the monks began charging admission (10 fen, or about the equivalent of three American pennies) and opened a small shop near the center of the

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temple next to the drum tower, selling everything from handmade black cloth monk shoes, porcelain figurines, incense, and prayer beads to orange soda, sea shells, and flour-coated peanuts. Pasted on the wall not far from the entry to the souvenir shop was a poster of a Red Army officer, saluting a distant flag.

Despite all the renovation and increased tourism, the temple was a peaceful place. Monks, some very old and some as young as 12, moved slowly about the grounds or quietly tended to chores such as sweeping a set of stone stairs or tending the altars. A couple of expansive gardens contained a profusion of flowers and other plants, healthy and well cared for.

There was always a commingling at the temples of the quiet, slow-moving monks themselves, a large number of Chinese tourists who seemed unfamiliar with and amused by the sacred world (judging from their accents and their facial features, many of these visitors were from the north), and the smaller number of Chinese who came to worship. The worshippers will unabashedly drop to their knees in a crowd, hold up a cluster of smoking joss sticks, and kowtow before a statue of a holy figure. Some enter the temples with commitment; many enter with perhaps a shade of embarrassment and guilt, after paying a small fee.

The Communist Party continues to discourage religious worship in all forms, of course, and to propagate atheism. That the government is responsible for repairing many churches and temples is consistent with its professed practice of allowing religious freedom, but the burst of repair work is also without question part of the government's overall effort to promote tourism and to give itself a face-lift by offering this most obvious show of its new openness and increased tolerance. China thirsts after foreign capital, which it badly needs to fuel its modernization (to which everything is subordinated) and, until the recent atrocities in Beijing, the central government has exhibited some surprising (though generally superficial) leniency in order to stimulate increased tourism and foreign investment.

Memories and Fears

Religious belief itself is not in accord with the principles of communism, and most fear that such a political failing may well be cause for suffering one day—not only for themselves, but for their families, as well. The purges following the "Hundred Flowers Movement" of the late 1950s (calling for free and open criticism of the Party, then fiercely retaliating against the critics) and the outrageous violence of the Cultural Revolution remain very fresh and bitter memories in the collective Chinese consciousness.

During our two and a half years in the south of China, we met a number of "underground" (that is, not officially registered) Christians, many of whom automatically assumed that because we were Westerners we were Christians, and then made it a point to inform us in confidence, with signs of both elation and hesitation, that they were Christian also. The admissions made to me were always private and unsolicited.

Christianity is the "Foreigners' Religion." Buddhism is generally regarded as the superstition of the peasants and the uneducated workers, and is a vestige of "feudal society." The Party holds that much work remains to be done to fully educate these people and liberate them from the bondage of the fanciful and absurd. Human progress—that is, material progress—is retarded, says the Party, by those who stubbornly cling to outmoded ideas and illusions.

There are Christian churches in China, but not many. The first I came across was in an especially old street in Fuzhou (the 2,400-year-old capital city of Fujian Province). It is a small brick structure with a characteristic steeple, stereotypical gothic windows, and a Latin inscription over the main entrance. I was startled when I saw it because it looked so strangely out of place . . . like a mosque in a Midwest town. Right in the middle of the usual squalor of food stalls, endless leantos, a street swarming with people on foot and bicycle, there it stood, nearly engulfed in the profusion of the city so that you could conceivably overlook it in the midst of all this busy detail. I wanted to go in and have a look, but it stood behind a locked black iron gate. No hours posted. No one I talked to was willing or able to get any information about when it might be open for services or otherwise. Every time I passed it, it was locked.

We heard of another Christian church in the city, just which denomination no one was certain. We made arrangements to go to the Christmas

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service, Christmas Eve 1984. One acquaintance of ours said, "Oh, you would like to go to church. I know of a church and I have met its director. I will ask him when the service is and inform him that you are coming." We were not especially comfortable with the formality, but we had no idea where the place was—and that year in Fuzhou, a city of about two million souls, we were the sum of the foreign population (the city having "reopened to the outside world" in 1982), so in situations like this we were dependent upon the efforts of our Chinese hosts.

This man booked a university car for us, had told us the service would be at 7:30 P.M., and planned to accompany us. By mid-afternoon on Christmas Eve, however, he decided that he would not come with us; he felt that he was stepping in where only our assigned guide/interpreter should tread and told us that he had better retreat before he stirred up any animosity. Something had apparently been said to him. "I'll leave instructions with the driver and see whether or not your interpreter is available to accompany you."

When the time came, our interpreter, Yan Li, appeared to guide us to the church. We told him that as long as the driver knew where to go, it wasn't necessary for him to come along. He claimed that the driver probably didn't know exactly where the church was, but that *he* knew every square inch of the city, his hometown. So we walked together to the car garage, met our driver, and rolled off to church.

Somewhere in the heart of the teeming city, we turned into a narrow lane or alleyway and pulled up in front of a doorway that looked like it might lead anywhere but into a church. Yan Li hopped out, ran to the door, opened it and entered. After a couple of minutes he returned, claiming that the service was over. Sorry. "But it's only 7:15. When did it start?" "Five o'clock." "Are you sure this is the right church?" "Of course this is the right church. The other man was just confused about the time." "Is there another church?" "Not that I know of." We sighed, rolled our eyes, and headed toward home.

Several days later we met the fellow who had made the arrangements, and he asked whether we had enjoyed the Christmas service. We explained what had happened and he was astonished, certain that we had gone to the wrong place. We left it at that.

The Churches of China

Not all Christian churches in China are so elusive, however. After our initially frustrating close encounters in Fuzhou, we found our way into a number of churches in various cities. In Guangzhou (Canton) in 1986 we visited the large almost cathedral-size Catholic church famed throughout the country. This church has a striking light-colored stone facade, a lofty spire, a large rose window, and a number of stained glass windows—or what used to be stained glass windows but are now clear glass windows since the stained glass was all smashed or shot out during the Cultural Revolution. Only small fragments of colored glass remain in a couple of the windows. The pews had apparently all been destroyed and had been replaced by rickety benches. We could see where the lights had once hung from the ceiling, but they were gone too. The altar area was cleaned out and the altar itself was nothing more than a large table with a white linen cloth draped over it. There were a few people here and there, praying.

We came upon a very attractive dark brick church in Shanghai in 1987 and decided to have a look inside since the iron gate was unlocked. A few passersby stopped and stared as we entered the church. We were met by the Chinese pastor who gave us a brief and muted tour, pointing out what had been repaired, what was currently undergoing repair, and what was still in need of repair. His church, too, had been almost completely destroyed by Red Guards during the Cultural Revolution. The pointed arches which capped the ends of pews had been knocked off and burned. The altar, the colored windows, and the statuary had all been smashed. The entire interior of the church had been ruined. Now there was a beautiful new wood floor; the pews had not been replaced, but the ends had been sanded and varnished to conceal the damage; the colored glass had been replaced with clear. The altar was still under construction, and there was a series of new lights hanging on long chains from the ceiling. The pastor briefly mentioned the fear and sadness he experienced when the church was sacked and expressed his firm hope that it would not happen again.

Another apparent sign of religious resurgence in China is the surprising appearance of a host of

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new missionaries. A number of religious organizations, primarily fundamentalist and almost exclusively American, are sending groups or "teams" to China to work as teachers (since missionaries as missionaries are forbidden). There is a surprising number of these teams throughout the country.

At first I wondered how an authority that propagates atheism could turn around and invite groups of a dozen or more evangelical Christians to enter the universities and high schools to teach. I realized before long that the government is fully aware that the groups are Christian, but contracting with groups like these simplifies the hiring process. The department heads at the schools don't have to weary themselves with as many screening processes or have to carry on as many correspondences with independent instructors coming to China to teach. By contracting with a group, the Chinese get a package of hard-working, well-behaved native English-speaking models willing to work for relatively low wages.

Although the missionaries/teachers are forbidden to proselytize, they do incorporate some biblical material into their courses. But, since English competence is deemed necessary for national modernization and because the authorities clearly feel that the impact of this relative handful of religious teachers is negated by the political instruction and social coercion that every student is subjected to, no one bothers to interfere with their teaching methods.

The new missionaries do manage to convert some of the students. Most of the converts remain discreet about their religious conversion, but there are always some who make no attempt to conceal their new faith. One example should suffice. I recall in particular one very likable young man who had befriended several of the Christian foreign students at Xiamen University, had embraced the Christian faith, and had become an advocate of many Western ideas, Western styles (he had his hair curled and liked to wear bell bottoms, T- shirts with messages printed in English, and dark glasses) and, less vociferously, Christianity. We were concerned about him.

In my class one day he had given a presentation on Western manners and English customs, then extended his discussion to conclude with some forceful remarks about how wise the Chinese would be to adopt more Western ideas and practices—like true freedom of religion, democratic elections, and more student freedom in determining what courses to take, and what instructor to have for a particular course. This appeal was offered with innocent exuberance, but it came at a bad time—during the student protests in Beijing and Shanghai in early 1987 calling for many of the same things. Students at Xiamen University, as at other universities, had been warned not to organize any protests, and openly expressing views sympathetic with those espoused by the protesters could result in expulsion from the university and a political labeling which would prove troublesome for a lifetime.

By the time of his classroom oration, he was beginning to attend the church services provided by a group of foreign students. On a couple of occasions when I met him he was carrying a Bible. He was a diligent student, well liked by his classmates. Although he did not speak openly to groups of Chinese about his conversion, it was well known that he was a Christian. Intervention finally came in June, during the strongest wave of "anti-bourgeois" activity in the south, during the "Campaign Against Bourgeois Liberalism" of 1987.

As he passed down a staircase one morning, a Party official at the university called him into his office. The official explained to him briefly and simply that while he was free to worship as a Christian if he chose, the Chinese Christian church and the foreign Christian church were to remain separate. No Chinese student would be allowed to attend church services on campus with foreign friends and, further, Chinese students were no longer being allowed to visit the foreign Christian students in their dormitory rooms without first registering their names in a guest book left with a receptionist at the entrance.

The message was clear, and its implications—though powerful then—have become much more poignant to me now, following the brutal assault on dissidents in Beijing. Those who know China are aware that there is a rigid distinction between what the foreigners may think and do and what the Chinese citizens will be allowed to say and do. Nominal freedom has proven to be desirable and even profitable, to a point. But no people, I think, are so often and so vividly reminded of the disparity between the nominal and the actual as are the Chinese. □

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China's Great Leap Backward

by Diane D. Pikcunas

China is a fascinating country, and many remnants of the age-old Chinese civilization still remain despite 40 years of Communist control. I visited this land in December 1988, six months before the Tiananmen Square massacre.

As I walked along the streets of Beijing and Shanghai, I noticed the many shops—ranging from noodle stands to bicycle parts shops to camera stores—lining the streets with entrepreneurs busily selling their wares. Deng Xiaoping's "Four Modernizations," aimed at improving agriculture, industry, the military, and science and technology, had clearly helped propel the Chinese people toward a market economy.

The taste of economic freedom, however, whetted the Chinese appetite for political freedom—the right to speak out against individuals and programs hampering China's development. In 1988 the central bureaucracy began limiting the market incentives, with resulting backlogs, shortages of raw materials, unemployment, and inflation. The link between economic and political freedom was becoming clear.

New Economic Policy

The shift in China's economic policy is a major turning point in the country's recent history.

When Mao Zedong's troops conquered China in 1949, he set about to build a Marxist-Leninist society. One of his first priorities was to eliminate all opposition. Chinese by the thousands were arrested, subjected to public trials, jailed, and some were executed. Businessmen and large landowners were particular targets for persecution. The government took over businesses and land, and abolished the right of private ownership.

Mao aimed to transform China into an industrial nation overnight, despite the human costs. In the "Great Leap Forward," begun in 1958, he pushed for rapid development, and encouraged Chinese citizens to make steel in backyard furnaces. After a few years, it became clear that this policy was a failure, and China's industrial production fell. Mao's agricultural communes also failed to increase output. The centralized economy helped Mao gain absolute control over the populace, but brought disaster to the Chinese people and crippled the nation's economy.

Mao's death in 1976 led to a struggle for succession that brought Deng Xiaoping to power. Though a Marxist-Leninist, Deng witnessed the failures of Mao's centralized economy and saw the need for economic revitalization. Even Lenin had recognized the failure of War Communism (1918-1921) and initiated some market incentives in his New Economic Policy of 1921-1928. Deng tried a similar approach, introducing some market incentives as part of his Four Modernizations, which were designed to make China a great economic power by the early 21st century.

Mao's Great Leap Forward proved a disaster for China, and Deng now envisioned a Great Leap Outward. While Mao had shut out foreign influences, Deng opened China's doors to cooperation with capitalist nations, welcoming joint ventures and foreign investment. Tourism was

Dr. Diane D. Pikcunas is Principal of Komensky Elementary School in Berwyn, Illinois, and adjunct professor of education at the National College of Education in Lombard, Illinois.

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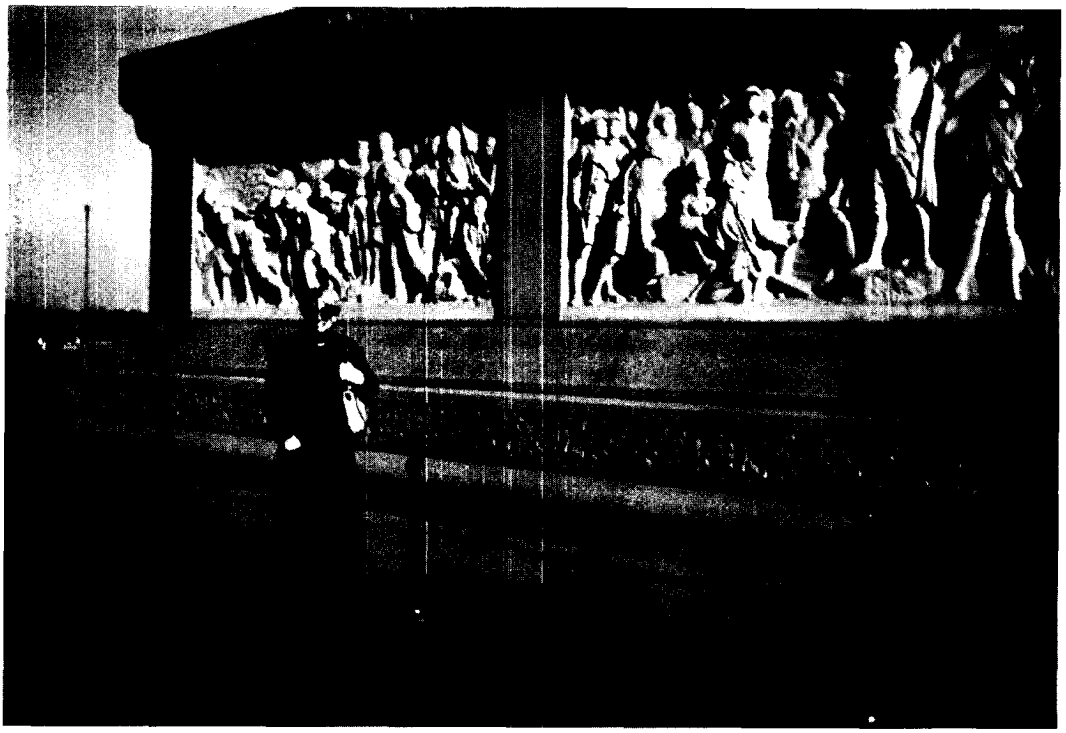

Dr. Diane Pikcunas visited Tiananmen Square in December of 1988, six months before the brutal suppression of Chinese students by the Chinese Communist military forces.

encouraged. Economic incentives were added to attract foreign capital. Industrial decision-making was decentralized, giving a reduced role to Beijing bureaucrats and more autonomy to provincial and local officials. Farmers were allowed to cultivate "side-line" plots and to sell their crops for their own profit. So successful was this latter experiment that, despite the small amount of land involved, the side-line plots were soon accounting for 25 percent of agricultural production.[1]

Free Market Brings Prosperity

Deng's reforms brought prosperity for both rural and urban Chinese. One of his most successful reforms made businesses responsible for their own profits and losses. The result is a familiar one in all free market economies—production of more goods and services.

Throughout history, the Chinese have been great entrepreneurs, and Deng's market reforms allowed Chinese merchants and shopkeepers once again to demonstrate their skills. Prior to Deng, state-run shops offered limited variety, poor quality, and government employees who took a hostile attitude toward customers—"buy it or leave it." The private businesses encouraged under the Four Modernizations, in contrast, have to compete for consumers. Their owners operate as their own bosses freed from the "work unit" which dominates almost every aspect of Chinese life. Under Deng's rule, the number of independent Chinese businesses has risen from 1 million in 1980 to almost 15 million in 1989.[2]

The free market brought prosperity to rural areas as well. Guangdong Province in southern China registered an economic growth between 1984-1987 of 23.5 percent while the rest of China recorded an impressive national average of 16.8 percent. Guangdong freed 80 percent of its commodities from central government control. New markets were created in labor, real estate, and a large number of commodities. Hundreds of new factories were built in the Pearl River Delta, the heart of the province's economic boom. An important link has been made to a neighbor and model of free enterprise—Hong Kong. Hong Kong investors account for 90 percent of the foreign investment in Guangdong Province and receive 60 percent of its exports.[3]

Even in rural and isolated areas such as

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Zhuozi, located in Inner Mongolia, the free market has operated successfully, as the economic role of the central government has been reduced. Commodity prices were freed from government control. The economic commission that controlled investment was abolished. All urban housing was privatized, and most state enterprises were dismantled. The farmers experienced a new prosperity, as they no longer were required to sell their grain and oilseed to the state at a fixed price. Zhuozi has become a model of the success of free enterprise. While much of the attention on economic reform in China has focused on coastal and suburban areas, the impressive nature of the success in Zhuozi is that the free market has proved an amazing success in an area considered poor in a poor region.[4]

This remarkable success encouraged Chinese economists to take a closer look at what was happening. They were able to report their findings in a political atmosphere freer than in the days of Mao. For example, three young economists —Hua Sheng, Zhang Xuejun, and Luo Xiaoping—have urged a major restructuring of the Chinese economy with an emphasis on individual property rights rather than on collective ownership. They have criticized policies such as the government's "price reform" which leave in place many of the elements of a centralized economy. They also have advocated a dismantling of the state-controlled assets, and charge that the reforms have been so limited that the preconditions for truly independent profit-maximizing enterprises have not been created. They have pointed to the success of the rural enterprises which have operated outside the government's economic plan and have consistently outperformed the state-owned enterprises. The enlargement of the private sector, they have stressed, will enable China's economic growth to continue.[5]

Economic Retrenchment

The economic crisis in China came before the political crisis. Partial repeal of the economic reforms under the name of an "austerity program" appeared in September 1988 and were officially confirmed at the meeting of the National People's Congress in March and April of 1989.

The leadership struggle has taken its toll on economic reforms. Zhao Ziyang served as Premier and later as the Communist Party Secretary and was architect of much of Deng's economic reform. He pointed to Guangdong Province as a model area and urged more economic and political liberalization. Li Peng, who succeeded him as Premier, was trained in the Soviet Union and is viewed as a technocrat; he has been less enthusiastic about these reforms and favors more centralization. In the political crisis in June, Zhao lost power and was purged; Li emerged in a stronger position.

In light of these events, Li Peng's report to the National People's Congress in the spring of 1989 takes on a greater importance.

The "austerity program" Li announced gave a greater role to central planning and imposed new taxes on the more productive sectors of the Chinese economy. Chief among the new program's victims are the rural enterprises which have demonstrated the success of decentralization. The new budget placed a tight squeeze on these enterprises. While the rural enterprises have been growing at an annual rate of 30 percent, the new program limited annual growth to 15 percent.

The new tax program was designed also to target the farmers who proved the success of the free market—farmers who raised fruit and vegetables and sold them for profit would now have to pay new taxes ranging from 5 to 15 percent.

And in a reverse of incentives, the proposed national budget would increase the salaries of government workers and employees in the less-productive, state-owned enterprises. A surcharge would be levied on those enterprises that were not state-owned—those owned privately or by collectives.[6]

The increased centralization is sure to hurt the economic performance of the model province for economic development—Guangdong Province, China's biggest exporter. The cutback on consumer goods nationwide especially hits this province whose prosperity has been largely built on the production of these goods. The move toward centralization of raw materials also will deal a blow to Guangdong's economy, which will have greater difficulty purchasing the coal needed to keep its factories running.[7]

The political crackdown in June has made foreign investors wary of the Chinese government's promises and its commitment to further reforms. The Special Economic Zones, which China creat-

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ed to attract foreign investment, are especially vulnerable as foreign businesses withdraw and other nations consider a cutoff of trade or sanctions against China. In an economic zone such as Shenzhen, which during the past decade has seen an enormous growth in the value of the goods and services it has processed, the government's alteration of foreign exchange rules in late 1988 has created particularly vexing problems, cutting exports and reducing 1989 investment by as much as 30 percent. The uncertain investment climate will create additional difficulties. The Special Economic Zones, where the Chinese have developed model arrangements for the operation of free enterprise companies, may soon experience a serious decline.[8]

Conclusion

The Chinese free market experiment has suffered an enormous setback since late 1988. And the experience serves to remind us of the dangers of political power exercised over an economy, for great economic benefits may fall victim to political considerations. A number of experts have warned us of such developments. Arch Puddington notes that even when they experiment with free market mechanisms, Communist nations are usually drawn to restrict entrepreneurial activity, since capitalism represents a humiliating refutation of the promise of abundance made by Communist officials.[9]

The Chinese economy is proving that political power can defeat even the most spectacular advances of an economy based on free market principles. In 1988, Milton Friedman warned then Party Secretary Zhao that China would not continue to succeed economically if it attempted to organize its economy from the top down. He stressed to Zhao that government is organized from the top down, while the free market is organized from the bottom up.[10]

And perhaps one of the more perceptive observations came from political scientists James T. Myers and Donald J. Puchala, who assessed economic development in China and concluded:

> Some analysts base their positive projections regarding Chinese modernization on the presumption that Deng Xiaoping and his colleagues are moving China away from socialist central planning and toward something that looks like a market economy. The conclusion of these analysts is that if it looks like capitalism it will surely work well for the Chinese, and all that is really required to transform a socialist, centrally planned less developed country is the introduction of a system of reliably price-cued transactions among entities that look like autonomous producing and consuming units. . . . It is inconsistent with almost everything we know about the requirements for and the course of economic development. . . . Whether or not China can modernize economically is an interesting and debatable question. But the answer is certainly not as simple as Deng Xiaoping and his colleagues turning a "capitalist" face to the outside world.[11]

The Chinese people have proved that they can make the free market work if they are unhampered by government controls. In the months since I left China, I have thought about the lesson that China offers for other nations, as well as for individuals who feel they can turn economic and political freedom on and off like water from a spigot. The lessons of the free market work well for all people, but centralized control can retard even the most promising prosperity and bring a nation back to economic bankruptcy. □

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Ecorse's Grand Experiment

by Greg Kaza

At first glance, Ecorse, Michigan, appears an unlikely place for a grand experiment.

Aging steel mills dominate the landscape in the 2.2- square-mile community of 11,000, located in a region known as Downriver Detroit. Downriver is typical of many of the "Rust Bowl" areas that dominate America's once-great industrial heartland. Row after row of small, wood-frame houses stand in the shadows of the mills, home to three generations of steelworkers. Along West Jefferson Avenue, the bars and fast-food establishments are fighting a battle against creeping blight. Crack cocaine dealers have invaded from Detroit, decimating several surrounding neighborhoods.

But look beneath the surface and you will find evidence of a grand experiment unique in recent American history. Three years ago, Ecorse teetered on the brink of economic bankruptcy, the result of a $6 million budget deficit caused by wasteful local spending.

Today, the deficit has virtually disappeared, along with most of the Ecorse city government, which has been privatized to the point of near-extinction. "We have created a model city that nobody else in the country has," explains Louis Schimmel, the man responsible for Ecorse's grand experiment. "Some communities have privatized certain functions. I've privatized just about everything. Everything that I could legally."

Greg Kaza is Vice President for Policy Research at the Mackinac Center, a Midland, Michigan, public policy think tank.

Ecorse was unique before Schimmel's appearance on the scene. It was the first Michigan community to be placed in receivership. Chief Wayne County Circuit Court Judge Richard Dunn appointed Schimmel receiver for the troubled community on December 3, 1986, after city officials failed to comply with repeated court orders to balance the budget.

Symbolic of the budget crisis was Ecorse's animal control officer, paid $45,000 annually. "That's an awful lot for collecting dead dogs," Schimmel said. "I told Judge Dunn I didn't want the [receiver's] job if I had to do what the typical politician has to do, which is make promises and then chase the taxpayer's money to keep them. That's how Ecorse got in the mess that it is in today in the first place."

Schimmel's first act as receiver was to discharge 40 paid political employees from the Ecorse payroll. "Cost was not important in Ecorse even though they were near-bankrupt. Having their political buddies, cronies, relatives, and friends on the city payroll had become more important than the taxpayers," he said. Schimmel's second step was privatizing the 34-member Department of Public Works. Motor vehicle maintenance, snow removal, street and sidewalk repairs, tree trimming, water meter reading, weed cutting, and a myriad of other activities are now performed by the private sector. For an encore, Schimmel sold the DPW building and the department's equipment. "They're gone. It's going to be difficult if not impossible to resurrect them from the dead," he said.

Garbage collection was already handled pri-

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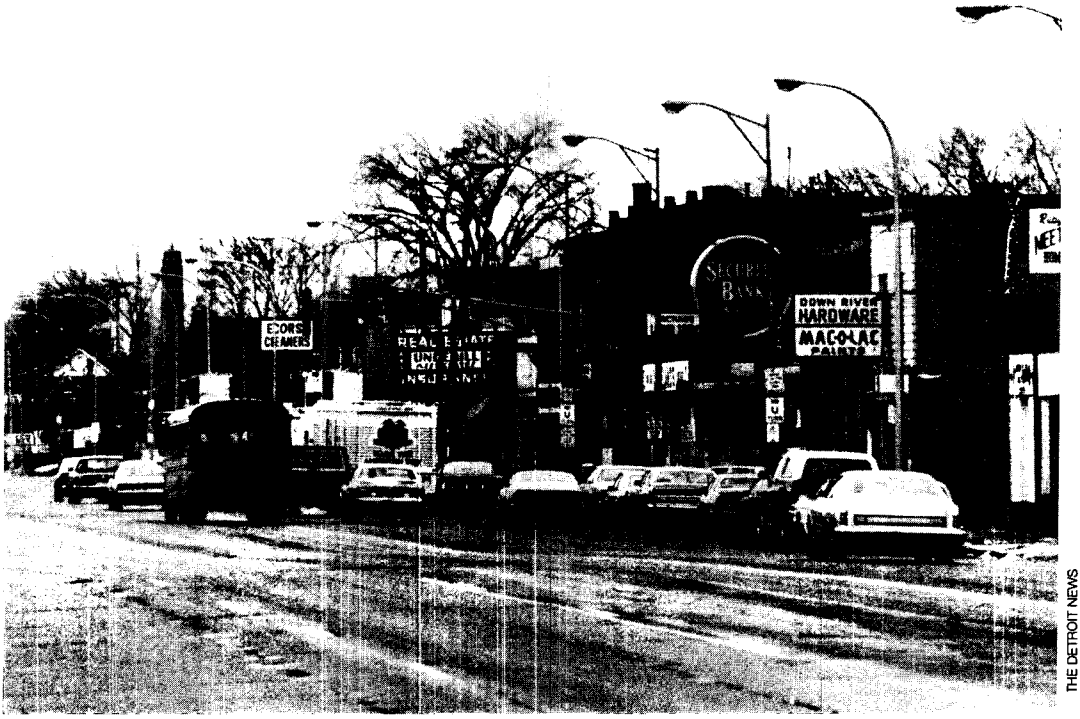

THE DETROIT NEWS

Downtown Ecorse.

vately, but Schimmel renegotiated the contract at a savings of $120,000. "It is important that contracts are monitored on a regular basis," he said. The city boat-launching facility was privatized. The city lost money under government control but is now turning a profit. Surplus buildings and abandoned city lots were sold to reduce the budget deficit, which has been cut to $1 million.

Michigan law prevented Schimmel from altering Ecorse's police department, but he privatized the pension fund, restoring fiscal sanity to a system once underfunded by $15 million. Under the fire union contract Schimmel renegotiated, the current full-time force will become a part-time and volunteer department through attrition. "We have a long list of applicants for the new positions. They don't seem to mind that it's not full-time. They just want to work," Schimmel said.

Few Ecorse departments have escaped Schimmel's budget-cutting. The city's work force, once 140, has been reduced by more than 60 percent through privatization. There have been exceptions. The duties of the $45,000 animal control officer were contracted to the neighboring city of River Rouge. "We pay half their costs and both of us save money," Schimmel said.

Privatization is frequently characterized as a "Sun Belt" or "Republican" idea. The Ecorse example proves otherwise. Downriver is synonymous with the so-called "Rust Belt," and Michigan Treasurer Robert Bowman, a Democrat, is among those supporting Schimmel. Bowman and Governor James Blanchard may turn to Schimmel to resolve a $4.4 million budget deficit in River Rouge. "There isn't a community Downriver where I wouldn't use privatization," Schimmel said. "That includes River Rouge."

Not everyone is impressed with Ecorse's grand experiment. Labor unions representing former city employees have criticized the receivership, portraying Schimmel as an economic czar with an abrasive personality. Officials responsible for the $6 million deficit contend the privatization of city services has gone too far.

For his critics, Schimmel has a ready response. "They knew bankruptcy was coming with that kind of spending, but they didn't do a damn thing about it. We did." □

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The Artificial Inflation of Natural Rights

by Antony Flew

Like other currencies, the currency of rights has in recent years been subject to inflation. And just as money tends to lose value the more of it that governments print, so the more that is said to be a matter of natural or universal human right, the less force any such particular claim will have. In the good old days of the American Declaration of Independence the Founding Fathers of the United States mentioned only three such universal, unalienable, supposedly self-evident, and necessarily equal rights—to "life, liberty and the pursuit of happiness."

But since World War II such declarations —more frequent and much less eloquently written, as well as (on the part of so many of the new signers) totally insincere—have embraced everlengthening lists. In the most notorious, adopted in 1948 by the UN General Assembly, the table of specification covers, not one modest clause in a single world-shaking sentence but six printed pages. In what would have appeared to the American Founding Fathers a crescendo of absurdity we are told: (Article 22) "Everyone . . . has a right to social security"; (Article 24) "Everyone has the right to . . . periodic holidays with pay"; (Article 25) "Everyone has the right to a standard of living adequate for the health and well-being of himself and his family. . . ."; and then—for the moment—finally (Article 26): "Everyone has the right to education. Education shall be free, at least in the elementary and fundamental stages. Elementary education shall be compulsory," and so on through an oddly intrusive clause specifying that all education must "further the activities of the United Nations," to the incongruous and inconsistent, even if welcome, conclusion that "Parents have a prior right to choose the kind of education that shall be given to their children."

There is no good reason why such a list should ever end, no rationale either provided or available for including in it one claim and not others, and hence no justification for—to reclaim a recently misappropriated phrase—*Taking Rights Seriously*. For those of us who do take rights seriously, the first need is to distinguish option rights from welfare rights. *Option rights are claims not to be harmed and to be left alone; welfare rights are claims to be supplied with various goods.*

The rights to "life, liberty and the pursuit of happiness" are all three of the first kind. A clear statement of liberty is provided by the 1945 constitution of Kemalist Turkey: "Every Turk is born free and lives free. He has liberty to do anything which does not harm other persons. The natural right of the individual to liberty is limited only by the liberties enjoyed by his fellow citizens." The practice, of course, presents every kind of problem. But the principle is luminous. About happiness the only thing to be said is that it is, of course, a claim to be left free to pursue happiness, not to be supplied with the *means* to achieve it.

The right to life also should be similarly understood. It is the right of individuals not to be killed against their wills. It is not a right to be supplied

Antony Flew is Distinguished Research Fellow of the Social Philosophy and Policy Center, Bowling Green State University. *This article is from* Vera Lex *(Vol. VIII, No. 2 [1988]), published by the Natural Law Society.*

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either with a subsistence income or even with an opportunity to earn an adequate wage. Neither Nature herself nor the rest of mankind owes any of us either a living or even an opportunity to make one; and everyone still needs to remember this before bringing children into the world.[1] Again, just as any right of free association is at the same time and necessarily a right not to join, so any right to life must at the same time and necessarily be a right to end life if and when that is the right-bearer's own wish.

The Right to Be Left Alone

All option rights really reduce to one, the right to be left alone and unharmed. If any claim to any natural right can be made out, then this one certainly can. Consider "The Formula of the End in Itself" under which Kant's Categorical Imperative becomes: "Act in such a way that you always treat humanity, whether in your own person or in the person of any other, never simply as a means, but always at the same time as an end."[2]

These formulations as they stand will, of course, not do. One sufficient reason why they will not do was urged by Kant's admiring critic Schopenhauer. It is, strictly, incoherent to speak of "ends in themselves." There can no more be "ends in themselves" unrelated to the persons whose ends they are, than there can be sisters in themselves, unrelated to any siblings of whom they are the sisters.[3]

Again, Kant's talk of "rational natures" and of "rational beings" is likely to suggest creatures who are rational as opposed to irrational, or who are intellectual and unemotional as opposed to lowbrow and emotional. But the rational beings to all of whom the imperatives of morality apply, and "whose existence" might be said to have "in itself an absolute value," are not an exclusive band of Platonic dialecticians. Nor are they, what nothing could be, ends in themselves. What they are, are the very creatures we all are: creatures which are able to, and cannot but, form ends for themselves; creatures which in giving to themselves or to others their reasons for acting this way but not that way, however irrational or nonrational those reasons, are rational beings.

From these familiar non-moral facts of our human nature nothing can be immediately deduced about either any rights which must be possessed by, or any obligations which must be laid upon, beings such as we. However, to borrow another characteristic concept from Kant, "as legislating members of the Kingdom of Ends," as creatures, that is, prescribing laws to apply to all creatures adopting and pursuing ends for themselves, we ourselves can lay it down that all rational agents are to be respected in their pursuit of their own chosen ends. Indeed, if we are committed to prescribing principles to apply equally to all such beings, principles which as ourselves such beings we could will to become universal law, then it would seem that we can scarcely fail to prescribe the following: individuals must have the right to pursue their own ends, save in so far as this pursuit violates the equal rights of others; and everyone must be under the reciprocal and corresponding obligation to respect those equal rights of everyone else. The notions of equality and of reciprocity enter here because no one can consistently claim such universal human rights for themselves except in so far as they concede to others the same rights, the same liberties.

At Whose Expense?

Now contrast with these option rights claims to welfare rights. All such claims should be challenged by putting a crucial question, followed by a more philosophical supplementary: "At whose expense?"; and, "What is the basis of the obligation supposedly falling upon the unspecified providers of all these desired and desirable benefactions?"

Again, natural or universal rights must, as such, be equally valid at all times and in all places. If, however, ought presupposes can, then there are no such rights to what is not, and cannot be made, universally available. While everyone everywhere and always could have enjoyed the option right to liberty, if only the others had been willing to respect these claims, there have been many periods, and there have been and are many places, where the total available resources could not satisfy even half of these fashionably proliferating welfare claims. And, furthermore, both the number of such less happy lands and the numbers of their poor inhabitants would surely tend to increase exponentially if a guarantee of generous welfare provision for all were to remove every prudential check upon human multi-

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plication, thus automatically devaluing that guarantee.[4]

The questions put and objections raised in the previous two paragraphs bring out the hopelessness of attempting to construct a coherent and persuasive doctrine of welfare rights. But with option rights it is different. There the obligations rest as equally and fairly on everyone as the rights: everyone equally ought to, and can, respect everyone else's equal rights to liberty and against injury.

We conclude by quoting from a Sage. A disciple once asked Confucius whether his rule of conduct might be embodied in a single word. The Master replied, "Is not 'reciprocity' the word?"[5] □

1. For an examination of an Aristotelean source of the always more popular, contrary doctrine, see my *The Politics of Procrustes* (London and Buffalo: Temple Smith and Prometheus, 1981), chapter VI, 3.

2. Immanuel Kant, *Groundwork of the Metaphysics of Morals,* in *The Moral Law*, trans, H. J. Paton (London: Hutchinson, 1948), pp. 90 and 91.

3. Arthur Schopenhauer, *On the Basis of Morality,* trans. E. R. J. Payne (Indianapolis, IN: Bobbs-Merrill, 1965), p. 95.

4. Compare, perhaps, my Introduction to *Malthus: An Essay on the Principle of Population* (Harmondsworth and Baltimore: Penguin Books, 1971).

5. *The Analects*, trans. W. Soothill (Taiyuanfu, Shansi: Soothill, 1910), XV, 23g487

Basic Rights and Meta-Rights

by William B. Irvine

People are generally familiar with what might be called our *basic rights*. These include our economic rights, such as our right to own property and our right to start a business, and our political rights, such as our right to free speech and our right to life. Fewer people are aware of what might be called our *meta–rights*. These are rights we have with respect to our basic rights; they include, most importantly, our right to waive or transfer our basic rights.

Suppose, for example, that I own a car, but that I am no longer satisfied with it. If I trade it in on a new model, I am voluntarily exchanging my property right in the car for a property right in a new car; in so doing, I am exercising my meta-right to transfer my property right in my car. Similarly, when I apply for a job, my prospective employer might tell me that he will hire me only if I sign a document stating that I won't divulge a trade secret. What this employer is asking me to do is to waive certain aspects of my right of free speech; and if I accept the employment offer, I will be exercising my meta-right to waive the basic right in question.

Although these meta-rights are less well known than our basic rights, a case can be made that the preservation of our meta-rights is vital to our economic and political well-being; for unless

Professor Irvine teaches philosophy at Wright State University in Dayton, Ohio.

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we have the meta-right to waive or transfer our basic rights, then these basic rights are much less valuable than they otherwise would be.

To see why I say this, imagine for a moment a world without the meta-rights described above. Imagine a world in which you could own things, but could never waive or transfer your ownership. In such a world, it is not at all clear how I could come to own a car (unless I built it myself—but where would I obtain the materials from which to build it?). And once I had a car, I would be stuck with it for life. I could never trade it in. I couldn't give it away. I couldn't even "junk" it.

It is clear that my ownership right in a car is much more valuable if, besides this basic right, I also possess the meta-right to trade or sell the car to others. For then my car, besides having value in terms of the transportation it provides me, has value in terms of the other things (e.g., other cars or cash) that I can trade it for. In having the meta-right to transfer ownership of my car, I gain the potential ownership rights to any number of useful things.

Or imagine a world in which I could not waive any of my political rights. In such a world I would presumably become unemployable, for as soon as my boss tried to tell me what to do, wouldn't he be infringing upon my right to self-determination, a basic right which, in the world described, I couldn't waive?

Even my right to life is more valuable if I have the meta-right to waive this basic right. Those who would deprive me of my meta-right to waive my right to life have done me a great disservice: They have transformed my *right* to live into a *duty* to remain alive.

Few people, one assumes, would be willing to live in a world in which people possessed the full complement of basic rights, but lacked the above-described meta-rights. It sounds a bit paradoxical, but one of the things that contributes most to the value of our basic rights is our ability to waive and transfer them. In short, basic rights are worth having largely because we can relinquish them.

This is a point that many people—and in particular, many politicians—fail to realize. These politicians may stand firm in their support of our basic rights (our basic political rights, if not our basic economic rights), while at the same time chiseling away at our meta-rights.

Thus, a politician who would never dream of taking away someone's apartment building (and thus violating his basic right to own property) might nevertheless advocate passing laws that limit the amount of rent the building owner can charge or laws that prevent the building owner from converting his apartments into condominiums. Such laws do not deprive the building owner of his property, but they do restrict what he can do with it; and because they interfere with the owner's ability to waive and transfer his property rights, they interfere with his meta-rights.

In the above example, we see how by depriving a person of his meta-rights, we lessen the value of his basic rights: Once laws are passed restricting what the building owner may do with his property, the market value of his apartment building is likely to fall.

Along these same lines, when politicians place limits on my ability to enter into contracts with others, they are depriving me of some of my meta-rights since they are interfering with my ability to contract away my basic rights. And when politicians impose restrictions on international trade, they are depriving me of some of my meta-rights since they are making it harder for me to exchange property with people in other countries.

Anyone who values rights, then, will not want his list of most valued rights to end where it traditionally does, *viz.*, with basic economic and political rights. For these rights, although valuable, derive much of their value from the meta-rights we have with respect to them. Furthermore, anyone who values his rights will defend his meta-rights at least as vigorously as he defends his basic rights; for he will realize that a basic right which cannot be relinquished is in many cases a right not worth having. □

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"I'm Here to Help You"

by Stu Pritchard

Two time-honored professions, among others over the millennia, have been revered in history and extolled in poetry. "Medicine," exclaimed Voltaire, "that most estimable of professions." Longfellow wrote of farmers' lives "darkened by shadows of earth, but reflecting an image of heaven."

These two professions are among those now being throttled by bureaucratic government. "It's insanity," said a radiologist to me recently about trying to cope. "They're taking away my livelihood," lamented a farmer.

But how to explain? How can others in different professions, who see only their own oxen being gored, understand my problems as a physician and a farmer?

On one day alone, eight missives arrived by mail from Medicare. Page after computer-printed page added and deleted five-digit codes for myriad medical procedures and diagnoses. Cited were "violative procedures," each bearing a possible $2,000 fine. A clerk demanded copies of all my office notes and records for the past two years from my personal file on a long-standing heart patient. Of course, I refused.

Meanwhile, back at the farm, a young lady drove past the barn and stopped at the farmhouse. The legend, "Department of Agriculture," on the side of her pickup caught my eye.

"I'm here to help you," she announced, and then, "I see you have two cows in your pasture." ("Heifers," I corrected.) "And we've had a report from Thurston County Health Department that you did some plowing last summer."

"Yes," said I. "That's why more than 100 geese fly in frequently to nibble at the oats I planted. They are undisturbed by 13 deer who also like the feast."

"Well," she persisted, "we're concerned about pollution in Oyster Bay."

"I am, too, but I don't think this valley that's been a farm for more than 90 years contributes much pollution. Better to concentrate on human sources of pollution and contagion."

Public-spirited, energetic regulators are sincerely motivated and increasingly "enabled" by politicians in legislative assembly. Although in both state and Federal constitutions, government is prohibited from using prior restraint to restrict freedom of speech and press, that same doctrine appears to be the method used by powerful bureaucrats to impose their views upon the citizenry.

"Your actions," they seem to say, "might, even by a long stretch of the imagination, cause harm to others. There is no proof you have, but it is our supposition that you might cause harm. Therefore, you're guilty, and we won't allow you to prove yourself innocent of any wrongdoing."

Prior restraint—a doctrinaire signpost on "The Road to Serfdom," to quote the title of the famous book by Nobel Laureate Friedrich Hayek—can regulate to the point of non-production, destroy incentive and entrepreneurship, and enfeeble the industrious.

My local newspaper reports that every 100 public-sector jobs create 75 private-sector jobs. But wouldn't it be more realistic to say that 75 of the latter create 100 of the former? After all, which sector supports the other?

Which is the sector that is mired down in license and permit fees, taxes, inquisitorial reports, and unannounced inspections on private property? And if employees in the public sector wail that they, too, pay taxes, ask the source of the money used to pay those taxes.

Yes, many who have loved their doctoring, their farming, and their other peaceful pursuits might pause to reflect: "Don't let bureaucracy dim freedom's light." □

Stu Pritchard, M.D., of Tumwater, Washington, divides his time between practicing medicine and farming. An earlier version of this article appeared in The Olympian, *published in Olympia, Washington.*

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Argentina at the Crossroads

by Richard A. Cooper

Statism has promised much to the Argentine people. But over the past 50 years, it has brought violence, corruption, unemployment, soaring inflation, and bitter disappointment. There is, however, a vibrant and growing Argentine movement that offers another choice—a classical liberal/libertarian movement dedicated to free markets and individual liberty.

For approximately 90 years, from 1853 to 1943, the classical liberal system of constitutional government, private property, and free trade held sway in Argentina. The country prospered. But not all Argentines were satisfied. Many of the urban masses felt cheated by the system. As time went by, their feelings of resentment and nationalism grew and merged. Different groups and leaders came and went, speaking for the disaffected Argentines. Then, in 1943, while Communism and Fascism menaced Europe, came the man whose legacy still haunts Argentina—Juan Perón.

Peronism as a doctrine is very vague, although Perón wrote many books and speeches. In essence, it is statist, protectionist, nationalist, and corporatist. Perón himself admired Franco and Mussolini. In 1949, Perón promulgated a constitution modeled after Fascist Italy, which enhanced presidential powers, increased central control, and contained corporatist features, especially regarding unions.

The Peronist system resembles that of PRI-dominated Mexico, seeking to integrate business and labor unions into a network of state-dependent and politically connected parts of a statist political machine. Although Peronism directs its appeal to the masses with heavy doses of envy, it does not ignore businessmen, whom it supports with protectionist trade policies and state subsidies. Thus, there were and are Peronist businessmen. Unlike Mexico, however, Peronism relies on the charismatic personality of the leader to whip up enthusiasm against foreign and domestic enemies, especially Britain.

After the disgrace of the military junta in their failed 1982 invasion of the Falkland Islands, Argentina returned to democracy. The Radicals surprisingly defeated the Peronists and elected Raul Alfonsin, barred from re-election by the Constitution. The Radicals talked about privatization, but did little about it. The country has continued its slide, and the military is restive because of low pay and the trials of officers for their role in the "dirty war" of 1976-1983 in which thousands of leftists disappeared.

Argentina's economic malaise is plain for all to see. While the country's standard of living was comparable to Canada before World War II, Argentina is now slipping into the ranks of the Third World. Inflation is so high that advertisements for houses and cars quote prices in American dollars.

What went wrong? Perón and his successors, military or civilian, Peronist or Radical, built up a massive state apparatus and a private industrial sector sheltered by a rigidly protectionist system. There are 353 state enterprises, including those owned by the military. One such enterprise is LADE, offering airline service to civilians, but owned by the armed forces.

Mr. Cooper is an export/import manager in New York. He visited Argentina in November 1988.

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When Argentina was rich, it built railroads, subways, and phone systems. Since statism took control, these have deteriorated. The Argentines have public services that don't serve. Three million dollars a day are lost on a rail system which should be visited by antique railroad buffs. YPF, the state oil monopoly, manages to lose money. Worst of all is the phone system, ENTEL, which has more employees than Nippon Telephone and Telegraph in a country with less than one-third the people. Twenty year waits for phones are normal. Journalist Bernardo Neustadt, a convert to the free market philosophy, proposed privatizing the phone system. Two hundred ENTEL unionists came to the radio station to physically attack him.

Pervasive state control and corruption go hand in hand. In frontier San Juan province, the former governor Leopoldo Bravo purged some independent-minded legislators from his Bloquista party. The newspaper *El Diario de Hoy* supported the legislators and their corruption charges. The newspaper's owners soon found themselves being pressured by the provincial tax bureau and other state agencies. The paper, however, still survives.

Who speaks out against the statism that has ruined Argentina? The *liberales* (liberals) represent the individualist, free market alternative to the dominant statist ideologies. Argentina possesses an individualist movement that is impressive in its activism and dedication. Like their American counterparts in the libertarian movement, the Argentines have pursued three paths: political, academic, and popular education.

Argentine individualists point to many national heroes as their forerunners, just as Americans do to the Revolutionary War heroes. Manuel Belgrano (1770-1820) and Mariano Moreno (1778-1811) fought to gain independence from Spain. Juan Bautista Alberdi (1810-1884) and Domingo F. Sarmiento (1811- 1888) were admirers of the British classical liberals and the United States. They helped to overthrow the Rosas dictatorship in 1852. Alberdi drafted the 1853 Constitution, modeled after that of the United States. More recently, there was the writer Jorge Luis Borges (1899-1986).

Borges declared himself an individualist and "an anarchist in the Spencerian sense." Borges vigorously denounced Perón as a Fascist, and strongly opposed nationalism and Communism. I had the pleasure of seeing a talk by Borges taped at ESEADE (a post-graduate business school emphasizing Austrian economic principles). Borges was asked by an unidentified American why he did not write more on politics and individualism. Borges replied, "I am a mere storyteller, not a politician."

UCeDe

The Argentine individualists take political action principally through the Union del Centro Democrático (Union of the Democratic Center, usually referred to as UCeDe), which together with other "liberal" parties, regionalist parties, and some conservatives form the Alianza de Centro (Alliance of the Center). The UCeDe was founded by Alvaro Alsogaray, who was the Alianza's candidate for president in 1989. The UCeDe's strength is growing, and although Alsogaray received only 6 percent of the popular vote in the May 1989 elections, the party did increase its seats in the Congress.

The UCeDe actively seeks new supporters. Literature tables selling the magazine *Tiempo de Acción Liberal* ("Time of Liberal Action") and campaign paraphernalia attract passers-by in Calle Florida and elsewhere. The UCeDe and its partners organize "Centros Cívicos" (civic centers) to promote individualism and democracy. A cook named Carlos Villalba formed the Centro Cívico "Obrero Liberal" (Liberal Worker) in a slum neighborhood and signed up 630 families out of 1200 for the UCeDe. Villalba is one of the many converts to classical liberalism won by Adelina de Viola, the successful UCeDe candidate for Congresswoman from the federal district of Buenos Aires.

The Argentines are fond of clubs and social gatherings. *Tiempo de Acción Liberal* runs a column by Susana Herrera reporting on local UCeDe activities, such as the pasta parties ("Noquis Liberales"—"Noquis" means "gnocchi") of the Movimiento de Acción Liberal (Movement of Liberal Action). These pasta parties feature political leaders, dancing, food, drink, and even a raffle. Two popular education groups of individualists, the Escuela de Educación Económica y Filosofía de la Libertad (School of Economic Education and Philosophy of Liberty) and the Cír-

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culo de la Libertad (Circle of Liberty, a sort of individualist social club), both meet at the headquarters of the Movimiento de Acción Liberal in Buenos Aires.

The Argentine classical liberals/libertarians attract noticeably more women to their ranks of activists than seems common in the United States. Women participate actively in the Centros Cívicos and the youth arm of the UCeDe, Juventud Ucedeista (Young UCeDe's). The UCeDe's candidate for Senator from Buenos Aires was Maria Julia Alsogaray, a Congresswoman and daughter of Alvaro Alsogaray. And there is the highly popular Congresswoman Adelina de Viola.

The Argentine *liberales* rally to defend the 1853 Constitution against the changes proposed by the Peronists and Radicals, who seek to expand the government's (and their own) power. Although imperfect, the 1853 charter (which was brought back into force in 1957) is a brake on statism, according to Enrique Cerda Omiste of the Fundación Carlos Pellegrini (Carlos Pellegrini Foundation, named after the President who restored Argentina to solvency in the 1890s). Fundación Carlos Pellegrini is an educational group concerned with foreign affairs, values, and education, trying to combat the debasement of civic life inherent in statism.

The Centro de Estudios Sobre la Libertad (Center for Studies on Liberty) works diligently to propagate the ideals of individual liberty, private property, and free markets in Argentina. Founded by Alberto Benegas Lynch Sr. and some friends in 1957 under the name "Centro de Difusión de la Economía Libre," the Centro is perhaps the most important single classical liberal/libertarian organization in Argentina.

Still headed by Dr. Benegas Lynch, the Centro de Estudios Sobre la Libertad is modeled after the Foundation for Economic Education. Like FEE, the Centro publishes pamphlets, books, and a magazine like *The Freeman* named *Ideas Sobre la Libertad* (Ideas on Liberty). Dr. Benegas Lynch brought Ludwig von Mises, Friedrich Hayek, Leonard Read, and other free market luminaries to lecture in Argentina. The Mises lectures are now available in print, in both English and Spanish. (English title: *Economic Policy: Thoughts for Today and Tomorrow*)

Alberto Benegas Lynch graciously received me in his home in Buenos Aires. Dr. Benegas Lynch expressed high hopes for the future as the competing brands of statism have all been discredited. He is cheered that young people are turning to free market individualism. Some of this shift can be attributed to Dr. Benegas Lynch and the Centro de Estudios Sobre la Libertad program of scholarships for study in the United States for many of the key professors of law and social sciences who are contributing to Argentine individualism today. Their efforts show in student elections at the University of Buenos Aires (UBA) where the *liberales* won in the faculty of law and three others.

The Centro de Estudios Sobre la Libertad presents seminars and lectures on free markets and individual liberty throughout Argentina. This program is directed by Dr. Eduardo Marty, professor of law and economics at UBA, with help from UBA law and accounting student, Alejandra Rojo.

ESEADE: An Emphasis on Austrian Economics

The Escuela Superior de Economía y Administración de Empresas (ESEADE, meaning Higher School of Economics and Business Administration) is a graduate business school emphasizing the Austrian school of economics. It publishes the journal *Libertas*, conducts a program of lectures taped on video (such as the one with Borges), and runs short seminars on economics and liberty for the general public. The president is Dr. Alberto Benegas Lynch Jr., one of the first students that the Centro de Estudios Sobre la Libertad sent to the United States.

The Instituto de la Economía Social de Mercado (Institute of the Social Market Economy) was founded by UCeDe leader Alvaro Alsogaray. Dr. Martin Krause, their Director of Programs, explained to me that they focus on human rights (including human rights violations in Cuba), privatization, and free trade. They publish a magazine and run essay contests for students with prizes of study in the United States. Their most recent winner, Dr. Alfredo A. A. Solari, professor of law at the University of Buenos Aires, studied at FEE in June and July of 1989.

The Instituto de Estudios Contemporáneos (Institute of Contemporary Studies) was founded by Marcos Victorica as a think tank like the Cato

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RICHARD COOPER

Centro de Estudios Sobre la Libertad: From l-r: Rogelio Marty, Alejandra Rojo, Señora Marty, and Eduardo Marty.

Institute in Washington, D.C., with a public policy focus. It studies the informal economy, deregulation, and privatization. Most notably, it sponsored the book, *El Estado y Yo por Juan Garcia (taxista)* (*The State and Me by Juan Garcia, taxi-driver*), written by Faustino A. Fernandez Sasso.

I attended the presentation of the book at El Ateneo bookstore in Buenos Aires. About 160 people came to hear about a book they had never seen. People stood about 20 deep in the rear to listen to the four panelists (Sasso, Adelina de Viola, Marcos Victorica, and journalist Bernardo Neustadt) discuss the book.

El Estado y Yo presents a forceful and funny case for limiting the state in the interests of the people. Sasso writes in a popular style with familiar stereotypes (the Japanese laundryman and the Galician Spanish bar owner). Juan Garcia, the story's taxi-driver, is Everyman, struggling to get by and lead his family to a better life. With facts and figures, Garcia shows the elephantine size of the state and its mammoth inefficiency. One memorable remark was "The country is full of functionaries, but nothing functions."

The Argentine classical liberal/libertarian movement is gaining ground. Over 50 percent of the public favor some privatization. Monica Maturano of the Instituto de Estudios Contemporáneos stresses how Argentines of her generation—in their 20s and 30s—have been disillusioned with statism, which simply doesn't work. The Argentine movement for liberty, like the nation itself, stands at a crossroads. □

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A REVIEWER'S
NOTEBOOK

The Survival of the Adversary Culture

by John Chamberlain

Paul Hollander was Hungarian-born, but educated in sociology in a "somewhat casual and unpremeditated manner" in England, in Illinois, and at Princeton. He is less interested, he says in *The Survival of the Adversary Culture* (New Brunswick, N.J.: Transaction Books, 299 pp., $27.95), in exploring the injustices and defects of American society than he is in studying the injustices and deformities of other political systems, namely, those of the Soviet variety. He still manages to retain over the years "a naive astonishment and occasional indignation over the fact that Western intellectuals, including perhaps most American social scientists, show so little appreciation of or support for the institutions which sustain them."

He accepts it as a given fact that most people need a "Mecca," and if they can't find it in a religion they will find it on this earth. He quotes British novelist Doris Lessing with approval. Says Lessing, "it's fairly common among socialists [that] they are in fact God-seekers, looking for the kingdom of God on earth, trying to abolish the present in favor of some better future. If you don't believe in heaven you believe in socialism."

Hollander's curiosity led him to make an extended study of "political pilgrimage" among intellectuals. Currently they are turning to Nicaragua in default of anything better. They went along with Soviet Russia until Stalin made it impossible for them to deny their eyes and ears. Then they turned to China. But Mao, killing his millions in the name of culture, was no better than Stalin.

That left Cuba, with Fidel Castro, and Nicaragua, with Ortega. So an issue of *Sojourner's* magazine says "we believe that something unprecedented in Central America is happening in Nicaragua." Hollander "wonders if it would have made any difference had they known that many similarly hopeful travellers also believed that something unprecedented was happening in the Soviet Union, China, Cuba, Albania, Bulgaria, Mozambique or many other countries of a similar political inspiration."

The behavior of intellectuals on political pilgrimage to Managua or Havana taxes one's credulity. The Reverend Jesse Jackson visited what he was told was a "model prison." The inmates played baseball. But "as soon as Jackson had left the balls and bats were taken away and the prisoners returned to their cells."

In Nicaragua the Sandinistas' Tomas Borg has two different offices. One is for meetings with religious delegations and delegations from democratic political parties. Before Borg meets with a religious delegation he memorizes Bible passages for quotation. But in his "real office" there are no crucifixes or Bibles—only Marxist literature and "posters of Marx, Engels, and Lenin."

Borg, of course, is the Marxist who said the Central American revolution recognizes no boundaries.

The palpable effort in Managua is to reproduce in Central America the atmosphere of the American college campuses of the 1960s. A Sandinista network in the U.S. funnels tour groups to Nicaragua. Hollywood types are welcomed.

George Kennan's changing views are thoroughly analyzed by Hollander. Kennan's famous 1947 article that set forth the policy of containment is no longer considered relevant. In 1981

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Kennan had come to believe that the negative image of the Soviet Union is "a monster of our own creation." The Soviet leaders, says the "new" Kennan, are "ordinary men who share the horror of major war."

Hollander says that "perhaps we can share" Mr. Kennan's concern for the earth's limited resources, "but it is hard to see why tackling that problem and keeping the Soviet Union from expanding its influence should be mutually exclusive." □

PROSPERITY AND POVERTY: THE COMPASSIONATE USE OF RESOURCES IN A WORLD OF SCARCITY

by E. Calvin Beisner

Crossway Books, 9825 W. Roosevelt Road, Westchester, Illinois 60153 • 1988 • 304 pages • $9.95 paperback.

Reviewed by Peter J. Hill

Despite protestations to the contrary by some economists, issues involving economic policy are extremely value laden. Questions of economic justice, appropriate levels of redistribution, and the moral foundations of rights continually arise. Hence it is not surprising that people who have a well-developed moral and religious framework attempt to integrate that value structure with their views on economic policy. Calvin Beisner fits very well in this genre as he has written a book that uses a biblical perspective to look at the world of economics.

Beisner's analysis is thoroughly Christian in the sense that he sees the Bible as the ultimate standard of truth by which all things must be measured, but he is also conversant with much of the recent scholarship in economics. Thus his work represents a careful attempt to integrate the two perspectives. He recognizes the need for compassionate people to address the problems of poverty, but he is also aware that one must couple biblical concern with a careful understanding of how the world works. Beisner avoids the trap that many Christians fall into of thinking that good intentions are all that matters, and that appropriate Christian concern will automatically lead to effective policy measures.

Beisner begins with the concept of stewardship, arguing that the believer must see God as the owner of all things, and from that flows the responsibility to act appropriately in economic matters. He argues that we must not act wastefully and that the creation of wealth is very much a part of good stewardship. However, he also recognizes the dangers of wealth, clearly laying out where the allegiance of the Christian must lie. Beisner also does a thorough job of developing the concepts of work and rest as they relate to economic activity.

It is the second part of the book that many readers will find the most interesting. In it the author puts forth his standard of economic justice, and he departs considerably from most Christian ethicists on this issue. He argues that biblical justice does not demand equality, and, in fact, requires very unequal results in many cases.

A major part of Beisner's analysis deals with the controversial Jubilee Year provision of Leviticus 25, and he concludes that the passage does not require a radical equalizing of property or incomes. He does recognize that the text implies a significant constraint on the ability of people to alienate their productive capital, and it is in this sense that the passage has the most interesting implications for modern society. Although Beisner acknowledges the importance of translating biblical concepts to the modern setting, a fuller exposition of just what the injunction against the permanent sale of land would prohibit in today's society would have been appreciated.

Parts III and IV of the book give a fairly adequate explanation of how an economy functions with appropriate attention to issues of property rights, prices, and markets. Considerable attention is given to the questions of money and inflation, with the careful development of the argument that a decrease in the purchasing power of money represents both bad stewardship and theft. On the basis of the biblical injunctions protecting property rights, Beisner concludes that the government should have no positive role in the provision of money; in other words free market money represents the only truly moral form of currency.

The author reaches an equally radical conclusion with regard to coercive redistribution of wealth, namely that, by biblical standards, none should occur. A strong emphasis on the sanctity of property rights is at the basis of this conclusion. Fairly standard arguments against subsidies,

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price controls, and import restrictions are also made.

The last section of the book presents Beisner's views on what should be done to alleviate poverty. He recognizes a clear biblical imperative to care for the deserving poor, but argues that the government should have no role in doing that other than preventing fraud and the violation of property rights. Therefore he proposes alternative anti-poverty measures involving church and personal voluntary action. Beisner calculates the number of poor people in the United States according to the biblical concept of poverty, which he argues is much more restrictive than the official government definition. Using rough estimates for per capita income of church members, he concludes that about one percent of their income, or one-tenth of the expected tithe, would be sufficient to eliminate poverty. Of course any such calculations are subject to numerous caveats, but the point is well taken; appropriate Christian concern could voluntarily solve most of America's poverty problem.

Of course Christians do not devote anywhere near this amount to poverty reduction, a shortcoming of which Beisner is appropriately critical. He also recognizes that his call for reduction of government involvement in income redistribution must be accompanied by a dramatic alteration in the attitude of many Christians toward voluntary measures.

Beisner's book is well worth reading. He takes his standard of justice and truth, the Bible, seriously and doesn't shirk from attempting to apply it to some of society's most vexing economic problems. He also is careful not to argue that the prevailing ethos of our capitalist society is biblical, while at the same time avoiding a utopian fascination with alternative institutional arrangements. One may wonder if the strength of his conclusions is fully warranted on some issues. For instance, is only free market money truly biblical, and can *no* coercive redistribution of income be considered legitimate from a Christian perspective? Nevertheless, Beisner develops well-reasoned positions grounded in a careful reading of Scripture to support these positions, and the reader who wishes to disagree must be ready to confront his arguments head-on. □

Dr. Hill is George F. Bennett Professor of Economics, Wheaton College, Wheaton, Illinois.

ECONOMICS: BETWEEN PREDICTIVE SCIENCE AND MORAL PHILOSOPHY

by James M. Buchanan

Compiled with a preface by Robert D. Tollison and Viktor J. Vanberg. Texas A&M University Press, College Station, Texas 77843-4354 • 1987 • 413 pages • $48.50 cloth.

Reviewed by Matthew B. Kibbe

A good economist will make one important theoretical contribution to his field in a lifetime of work. There are few individuals of this intellectual caliber. Far rarer is the economist who has written extensively and productively on a broad range of theoretical and practical issues, often crossing official boundaries into other academic disciplines. James Buchanan is such an economist.

In his distinguished career, Professor Buchanan has written extensively on the economics of public finance, welfare economics, the economics of cost and individual choice, economic methodology, and political philosophy. In 1986, he was awarded the Nobel Prize in Economics for his pioneering work in the field of "public choice," which revolutionized the way mainstream economists look at and evaluate the political decision-making process.

For the serious student interested in learning more about Buchanan's work, this book is a great place to start. It is a collection of previously published essays and journal articles that brings together a broad, well-rounded sampling of Buchanan's most important contributions to economics and political philosophy.

A student and *protégé* of Frank Knight at the University of Chicago, Buchanan reflects an eclectic mix of ideas borrowed from Ludwig von Mises, F. A. Hayek, G. L. S. Shackle, and others. Austrian economists in particular will find themselves sympathetic with Buchanan's primary goal of reviving and extending the study of political economy in the tradition of the 18th-century Scottish moral philosophers.

But Buchanan is still a neoclassical economist who often defends the orthodox tendencies to test, measure, and predict empirically. For example, he maintains that there is a strict dichotomy between the realm of "reactive" choice, where he views man's actions as analogous to the reactions

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of rats, and the realm of true creative choice in the Austrian sense. He argues: ". . .Misesian praxeology, as I understand it, would seem to include both examples within the realm of human action that theory seeks to analyze and to explain. I submit, however, that they are categorically distinct. [Reactive] action need not reflect conscious, active, or creative choice; it can be interpreted as an animal-like response to a change in the external environment. It is. . . behavior that might have been scientifically predicted."

Always challenging, often frustrating, it is this essential tension, the rift "between predictive science and moral philosophy," that drives Buchanan's system of thought. All the same, the reader will enjoy being introduced to one of the few truly original thinkers in economics today. □

Matthew Kibbe is a doctoral student in economics at George Mason University and a fellow at the Center for the Study of Market Processes.

LIBERTY, PROPERTY, AND THE FOUNDATIONS OF THE AMERICAN CONSTITUTION

Edited by Ellen Frankel Paul and Howard Dickman

State University of New York Press, State University Plaza, Albany, NY 12246 • 1989 • 181 pages • $39.50 cloth, $12.95 paper

Reviewed by Robert W. McGee

This book consists of eight essays, written by eight different scholars, and edited by Ellen Frankel Paul and Howard Dickman of the Social Philosophy and Policy Center in Bowling Green, Ohio. The unifying theme is the interrelationship between liberty and property, with special emphasis on how liberty and property were viewed by America's Founding Fathers.

In the preface, Gordon S. Wood discusses the intellectual atmosphere that existed in the Colonies at the time of the Revolution. Property was seen not so much as a way to aggrandize profits, but as a source of personal independence. Property consisted not only of tangible goods but also of skills and anything else that made a person independent. At least some of the Constitution's framers were very much aware of the danger posed by a legislative majority bent on usurping a minority's property rights. In one of the first Supreme Court cases, Justice Samuel Chase stated that a law exceeds its legislative authority if it takes property from A and gives it to B. Today, such laws are commonplace, and very few people question their validity or even their propriety. How things have changed in 200 years.

Michael Kammen writes about the rights of property and the property in rights. One of the primary functions of government is to protect property. The new Constitution aimed at protecting these rights, as did the various state constitutions. Liberty and property were thought to exist side by side. People couldn't have one without the other. The best way to safeguard liberty was to safeguard property. While some patriots worried that a free society would produce inequality, wealth, luxury, extravagance, vice, and folly, curbing property rights to prevent these possible evils wasn't seriously considered by most theorists of the day. Madison pointed out that property rights developed from the diversity in the faculties of men and that attempting to distribute property evenly is a wicked idea. Jefferson wanted to give 50 acres of land to every adult male who lacked property, so that a broad segment of the population would have a stake in the society. With the spread of property goes the spread of liberty.

Andrew J. Reck's chapter discusses moral philosophy and the framing of the Constitution. Two influential works of political philosophy appeared between 1776 and 1789, John Adams' *Defence of the Constitutions of Government of the United States of America* and the *Federalist Papers* by Hamilton, Madison, and Jay. By far the more influential of the two was the *Federalist Papers,* which argued for ratification of the Constitution in a series of essays that first appeared in newspapers. Reck outlines the origins of these two documents, portions of which can be traced back to the ancient Greeks and Romans. Other sections of this chapter focus on the convention debates, Forrest McDonald's comprehensive study of the intellectual origins of the Constitution, the relationship between liberty and property, the compromise by which states retained equal representation in the Senate and representation by population in the House, and Hamilton's speech at the convention. At the time of the convention, moral philosophy focused on the relationship of special interests to the general good, a relationship that the Public Choice School and others still

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are studying today. The framers' moral philosophy synthesizes the extremes of virtue and interest.

Edward J. Erler's chapter compares the present view of property rights, as expounded by Justice William Brennan, with the view of the Founding Fathers. According to Brennan, the Fourteenth Amendment is perhaps as important as the original Constitution itself because it upgrades the importance of protecting life and liberty, and places property rights in a secondary position. The Founding Fathers, on the other hand, saw no inherent conflict between the right to property and the rights to life and liberty. Securing the right to property was the means by which the rights to life and liberty could be achieved. John Locke and the natural rights theorists played a very influential role in shaping the framers' view of property rights. Many documents of the Colonial era, such as the various state bills of rights, are Lockean in structure and content.

Jean Yarbrough focuses on Thomas Jefferson's view of property rights. One long-running dispute has been Jefferson's failure specifically to include property among the inalienable rights enumerated in the Declaration of Independence. Rather than life, liberty, and property (as per Locke), Jefferson used life, liberty, and the pursuit of happiness. Yarbrough points out that property is not inalienable, since it can be alienated—traded or given away. Inalienable rights are a special category of natural rights that cannot be transferred to another. Property can be transferred, so it is not inalienable, although it is a natural right. Other sections discuss the origin, meaning, and status of property and the place of property in a republican government. The final section presents an overview of Jefferson's agrarian republicanism.

Charles F. Hobson's chapter discusses republicanism, commerce, and private rights from a Madisonian perspective. Madison was committed to republicanism, the belief that government is derived from the consent of the governed. He was a believer in majority rule but worried that the majority would violate minority rights if not held in check by the chains of the Constitution. Throughout history, republics inevitably had declined into despotisms. Madison was determined that this fate would not befall the newly created United States of America, so he built in checks and balances to protect minorities and to prevent any branch of government from being able to seize too much power. Virtue was needed to sustain republican government, and Madison believed that virtue was best protected in an agrarian society, where individuals could remain independent and need not rely on others for sustenance.

Bernard H. Siegan writes about the limitations placed on Federal and state economic powers by the Constitution. The Constitution protects property rights and a capitalist economic system. Having experienced the abuse of economic rights by state legislatures, the framers provided more specific protection against the Federal abuse of economic rights. States were not to interfere with contracts, although that clause has since withered away almost to the point of nonexistence. A common market between the states prevents jealous special interests within the states from using the power of government to protect their interests at the expense of everyone else.

William Letwin expands on this theme when he addresses the Constitution's economic policies. While the term "capitalism" wasn't used in 1789, the concept of capitalism—that the means of production should be privately owned and controlled—was very much a part of the founders' philosophy. The due process, takings, commerce, and contract clauses all provide evidence that the founders intended individuals to own and control the means of production. Contemporary writings, such as the *Federalist Papers*, other writings of Madison and Hamilton, and the writings of others during the period, all provide substantial evidence that the founders intended to protect a free enterprise system. However, it cannot be said that the framers intended to found a laissez faire system. Indeed, as a group, they had no concept of such an idea. Their experience had been of mercantilism, and while the framers abhorred certain aspects of mercantilism, they did not come out in favor of a laissez faire system. But the Constitution did not say anything to prevent such a system either.

In the concluding chapter, Michael W. McConnell provides a case study in the relationship between individual liberties and Constitutional structure, focusing on contract and property rights. He goes into some of the history behind

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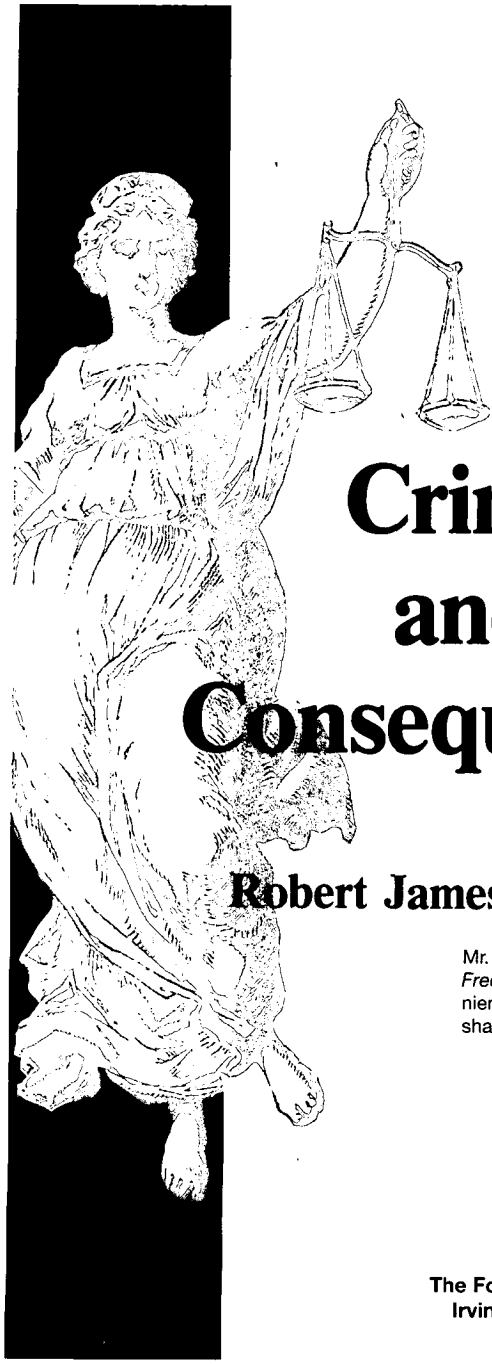
contract, including a discussion of the Northwest Ordinance, the Treaty of Paris, the contract clause and the just compensation clause. He also discusses some possible explanations for the different treatments of contract rights and property rights, focusing primarily on the Hamiltonian and Madisonian views.

All in all, this book provides an adequate, though brief, introduction to the prevailing view of liberty and property at the time of the founding of the American republic. □

Professor McGee teaches accounting at Seton Hall University.



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Volume 39
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Prepared by
Bettina Bien Greaves

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